



# **Doing Business in Hong Kong & Macau: A Country Commercial Guide for U.S. Companies**

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## Chapter 1: Doing Business In Hong Kong & Macau

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### Market Overview

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- **Hong Kong is an ideal market platform for doing business in Asia, especially Mainland China.** Hong Kong is a “free port” with virtually no duties or tariffs. Its strong rule of law and respect for property rights make it an ideal strategic platform for U.S. companies, especially small- and medium-sized firms, seeking to do business in Asia. Hong Kong partners typically know and have close links to markets in Mainland China and the rest of Asia.
- **Key Characteristics: Open to international tourism, trade and investment.**  
Population: 6.9 million (mid-2006).  
Visitors: 23 million (2005).  
GDP Per Capita: US\$25,546 (2005).  
GDP growth: 6.8% (3Q/2006).  
Trade to GDP ratio: 330% (2005).  
U.S. Exports: US\$16.4 billion, 5.5% of Hong Kong's imports (2005).  
Major Trading Partners: Mainland China, U.S., EU, Japan, and Taiwan.  
Other: World-class infrastructure; free flow of information; no restrictions on inward or outward investment; no foreign exchange controls; no nationality restrictions on corporate or sectoral ownership; simple low-tax regime; and world financial center.
- **Special Administrative Region of China:** Hong Kong has its own common law legal system, currency and customs jurisdiction. Hong Kong's financial, marketing and technical expertise, and sophisticated infrastructure, combined with the Mainland's rapidly developing manufacturing base, create wide-ranging business opportunities. Many Hong Kong manufacturers have moved production to South China's Pearl River Delta (PRD), with Hong Kong functioning as the region's services and trade hub. Mainland China is Hong Kong's largest trading partner, and four thousand Asian and Western of multinational firms with interests in Mainland China have their headquarters in Hong Kong.
- **Closer Economic Partnership Arrangement (CEPA) with Mainland China:**  
This free trade agreement offers Hong Kong's products and firms preferential access to the Mainland's market. CEPA goes beyond Mainland China's World Trade Organization (WTO) commitments, eliminating tariffs and allowing earlier or preferential access to some services sectors. Overseas companies can partner with, invest in, acquire, or buy into a CEPA-qualified firm in Hong Kong.

## Market Challenges

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- **Increasing integration with the Mainland:** As Hong Kong's Mainland China market access and opportunities have grown, its higher costs have led to a hollowing out of its manufacturing sector. Mainland rivals present increasing competition, even in sectors where Hong Kong has long been dominant, like container port handling.
- **Firms are bypassing Hong Kong:** Companies that go directly to the Mainland China market without sufficient due diligence, however, often face higher costs and longer delays than if they had first engaged a Hong Kong-based intermediary.

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- **Excellent prospects for U.S. suppliers:** Over 20 percent of all Hong Kong Government contracts are awarded to U.S. firms. Leading export sectors for U.S. firms include computer peripherals, plastic materials & resins, electronic components, drugs and pharmaceuticals, environmental technologies, mass transit equipment, landscape architectural services, automotive parts and accessories, safety and security equipment, green building materials, and cosmetics and toiletries.
- **Major Hong Kong public infrastructure projects include:** Hong Kong International Airport Expansion Plan, Kai Tak Airport Redevelopment, Tourism Infrastructure and City Improvement, Disneyland, West Kowloon Cultural District, Port Development, Ocean Park Revamp Plan, Harbor Area Treatment Scheme, the Hong Kong-Macau-Zhuhai Bridge, and the Waste Reduction Project.

## Market Entry Strategy

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- **Hong Kong agents and distributors can increase sales of U.S. products in both Hong Kong and Mainland China.** Given Mainland China's size and diversity, it is sometimes advisable to work with different agents for different regions of Mainland China.
- **Hong Kong firms are eager to work with serious exporters.** U.S. firms can show commitment to success in this market by using metric measurements, providing Chinese-language materials, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and relationship building.

- **Companies considering entering this market should understand Hong Kong's fast-paced business climate.** Decisions are made quickly. Firms must respond immediately to inquiries or risk losing opportunities to faster-moving competitors.

## Macau

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### Market Overview

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- **Macau's GDP grew by 6.7 percent in 2005.** As Special Administrative Region of Mainland China, Macau is a "free port" with low taxation. Since liberalizing the gaming industry in 2002, Macau has benefited from US\$2.2 billion in investment in the gaming industry, spurring more visitors and consumption demand. Other growth areas include finance, insurance, construction, real estate and manufacturing. Macau's exports include textiles, garments, toys, electronics, and footwear. Its main export market is the U.S., while it imports mainly from Mainland China and Hong Kong.
- **Key Characteristics: Rapid growth in tourism and inbound investment.**  
Population: 508,500 (3Q-2006).  
Visitors: 18.7 million (2005).  
GDP Per Capita: US\$24,316 (2005).  
U.S. Exports: US\$101.6 million, 2.6 percent of Macau's imports (2005).  
Trading Partners: Mainland China, Hong Kong, Japan, EU, Taiwan and U.S.
- **Closer Economic Partnership Agreement (CEPA) with Mainland China:** Macau's September 2003 agreement with Mainland China enhanced its economic integration with the PRC.

### Market Challenges

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- **Gaming and tourism growth eclipse other sectors:** Many U.S. firms are overlooking opportunities in other sectors. Though small, Macau offers companies a good foothold to get into the region.

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- **U.S. exports to Macau have grown significantly.** In the past year (January-September 2006 compared to the same period in 2005), U.S. capital goods exports increased 9.8 percent; consumer goods, 24.3 percent; fuel and lubricants, 40.9 percent; and raw materials and semi-finished products, 18.5 percent.
- **Specific U.S. export opportunities include:** Gaming equipment; architectural services; energy-efficient lighting; recreational and sports equipment; security equipment; “smart building” systems; hotel, restaurant and resort management training services; air conditioning; building materials; carpeting; computer and financial software; and furniture.
- **Major Macau public infrastructure projects include:** Cotai Strip Development, Wynn Resorts, Galaxy Resort and Casino, The Venetian, MGM, Sociedade de Jogos de Macau (SJM), and the Hong Kong-Macau-Zhuhai Bridge.

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Macau and Hong Kong agents and distributors can increase sales in Macau.

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## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

Hong Kong: <http://www.state.gov/r/pa/ei/bgn/2747.htm>

Macau: <http://www.state.gov/r/pa/ei/bgn/7066.htm>

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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### Using an Agent or Distributor

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Working with agents and distributors in Hong Kong is very much like working with agents and distributors in the United States. An agent takes orders in the supplier's name. Distributors act in their own name and may stock products purchased from the manufacturer for resale.

Hong Kong has no special legislation regarding agents and distributors. Virtually anything to which both sides can agree and put into a written contract is acceptable and enforceable; this includes restrictions on territory and a grace period for termination of the agreement. While Hong Kong law does not require legal counsel, the more complex the contract, the more helpful legal counsel can be in drafting the text. Items that are often in the contract include:

- Discussion of exclusivity and sales territories – businesses should be careful about granting an exclusive agency too soon or in too large a territory if the agent is to have coverage beyond Hong Kong.
- Discussion of proprietary information – local law prohibits theft of intellectual property, but prevention of piracy is always less expensive and more effective than post-facto remedial legal action.
- Levels of sales activity – set specific targets and goals the agent or distributor must meet in order to maintain or renew the agreement.
- Duration.
- Payment terms.

- Quality control – inspection – verification.
- Rule of law – jurisdiction in the United States vs. Hong Kong. Generally, Hong Kong is chosen, but another location may be specified.
- Covenants restricting business activity following cancellation of the contract.

There are many types of agents and distributors in Hong Kong, ranging from those who simply stock retail stores with standard items to agents who provide sales, engineering and technical support for complex systems. It is common for a single company to deal in a wide variety of products in a particular sector. Agents and trading companies may be less specialized than companies in a large economy like the United States, but the best ones are focused and have contacts in a special line of business.

## Establishing an Office

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Foreign companies are allowed to incorporate their operations, register branches, or set up representative offices freely in Hong Kong. There is no restriction on the ownership of such operations. Company directors need not be citizens of, or reside in, Hong Kong. Reporting requirements are straightforward and not onerous. There is no distinction in law or practice between investment by foreign-controlled companies and those controlled by local interests. There are no disincentives to foreign investment such as limitations on the use or transfer of foreign currency, or any system of quotas, performance requirements, bonds, deposits, or other restrictive regulations. High labor and rental costs are the major disincentives to establishing a presence in Hong Kong.

To incorporate or register in Hong Kong, the foreign company should first file statutory declarations and submits the necessary documents to the Administration Section of the Companies Registry. Specific information on establishing an office in Hong Kong is available at:

New Companies Section  
Companies Registry  
14/F, Queensway Government Offices  
66 Queensway  
Hong Kong  
Tel: (852) 2867-2587  
Email: [crenq@cr.gov.hk](mailto:crenq@cr.gov.hk)  
Website: <http://www.cr.gov.hk>

## Franchising

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Hong Kong's legal framework and high per capita income attract foreign franchisors looking to sub-franchise. It is relatively easy to set up a foreign franchise operation in Hong Kong as there is no specific legislation governing franchising operations, no

exchange controls, no anti-trust laws, and no foreign equity participation or local management participation regulations. Disputes arising from a franchise agreement are subject to the common law (and specifically to contract law) and to legislation relating to licensing, and protection of intellectual property rights, and registration of trademarks/service marks.

There were approximately 124 franchised operations in Hong Kong in 2006, predominantly in catering, retail, photo processing, laundry services, IT and educational training services. Just fewer than 50% are foreign-owned, the majority of which are from the U.S. 36% of franchises in Hong Kong are in the catering and fast-food restaurants category, one third are in services, and the rest are in retailing. Most of the local franchisees of U.S. franchises operate as area developers and do not sub-franchise. They do, however, often include the Pearl River Delta (PRD) region of Southern China as their territory of operation. The PRD (immediately to the north of Hong Kong) continues to post strong economic growth, and economic integration between Hong Kong and this region has created a wealthy consumer base with strong franchising potential. With their unique ties to China, Hong Kong franchise consultants often assist franchise owners, both local and foreign, to develop a strategy for expanding the franchise operations to this region. It is also common for the Hong Kong area developer to partner a U.S. franchisor to jointly develop the franchise in the PRD region, involving equity participation from the U.S. franchisor.

U.S. brands such as Starbucks, 7-Eleven, California Pizza Kitchen, American Drycleaners, Gymboree, Krispy Kreme, and Century 21 are popular in Hong Kong. American franchisors will, however, find strong competition in Hong Kong due to the maturity of its market and the long-term establishment of major franchise operations. Successful franchisors are those who understand the need to tailor products and services to local consumer tastes and market, and promote them through effective channels.

Home-grown franchises have also developed, and many have expanded their franchises to Southeast Asia and China. Some of the more visible local franchisees include: FX Creations (fashion wear), Japan Home Store, Hui Lau Shan (desserts outlet), Pie & Tart, Nail Nail, Nail Bar, Vogue Laundry, BYOC Coffee Chateau, and Saint's Alp (snacks and Taiwanese-style "frothy" tea house.) Most franchise growth has been in fast-food restaurants, natural products and food supplements retailing, nail bars, and learning centers.

A list of franchise operators in Hong Kong can be found on the Hong Kong General Chamber of Commerce's franchise website at [www.franchise.org.hk](http://www.franchise.org.hk)

## **Direct Marketing**

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Hong Kong has a well-developed network of retail outlets. Supermarkets, department stores, convenience stores and modern shopping malls have become increasingly popular, because of their easy access, convenient location and seven-day accessibility. Consumers prefer buying products from retail outlets to buying products through mail order or person-to-person selling, as they consider retail shopping a leisure activity.

Direct sales account for less than 1 percent of total retail sales, though direct sales have increased in popularity following the economic slowdown in 1998. Many who lost their jobs turned to direct selling, while others who suffered pay cuts joined direct selling companies to augment their income. Direct sales continued to increase despite the economic recovery and better job prospects. The volume of direct sales grew between five percent and ten percent over the past few years, particularly in nutritional supplements. The demand for nutritional supplements increased as Hong Kong consumers became more health-conscious following the SARS outbreak. One of the major distribution channels for nutritional supplements is direct selling. American firms, Alticor (Amway), NuSkin, Herbalife, Usana, and Unicity that dominate the direct selling sector all offer nutritional supplements. Many local companies, particularly Chinese herbal health supplement distributors, have also adopted direct sales distribution.

## **Joint Ventures/Licensing**

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Joint ventures or strategic alliances can be very helpful in entering the market and are particularly important in competing for major projects.

Licensing is increasingly common in the field of brand name product manufacturing and marketing.

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The Government Logistics Department (GLD) is the central purchasing, storage and supply organization for the Government of the Hong Kong Special Administrative Region, serving over 80 government departments, subvented organizations and certain non-government public bodies. The GLD normally purchases by open tender, with decisions based on compliance with tender specifications, competitiveness in price, back-up service and delivery. The GLD gives no preference to any particular source of supply from any country or organization. The GLD spent US\$467 million in 2005, with American products winning approximately 11.5 percent of the total procurement contracts (about US\$53.6 million). Hong Kong joined the WTO Agreement on Government Procurement in May 1997. Tenders are now covered by the Agreement on Government Procurement of the World Trade Organization (WTO GPA), and a Review Body on Bid Challenges has been set up by the Government to handle challenges made against alleged breaches of the WTO GPA. Tender invitations are published in the Government of the Hong Kong Special Administrative Region Gazette and in selected Hong Kong newspapers. Tender notices are also published on the Internet in the GLD's Electronic Tendering System (ETS) web site (<http://www.ets.com/hk>). Tenderers usually have at least three weeks to prepare their offers. For procurement covered by the WTO GPA, the time allowed for bid submission is 40 days. Payment to overseas suppliers is usually effected by wire transfer, bank draft or letter of credit upon acceptance of the goods. Contract awards with the names of successful tenderers and contract sums are published monthly in the Government Gazette and on the Internet.

For information about a subscription to the Government of the Hong Kong Special Administrative Region Gazette, contact:

Information Officer  
Publications Sales Unit  
Information Services Department  
4<sup>th</sup> Floor, Murray Building  
22 Garden Road, Central  
Hong Kong  
Tel: (852) 2537-1910  
Fax: (852) 2523-7195  
Email: [puborder@isd.gov.hk](mailto:puborder@isd.gov.hk)  
Website: <http://www.isd.gov.hk/eng/publication.htm>

The GLD maintains lists of registered suppliers for issuing tender invitations. Any company not currently registered with the GLD wishing to be considered for inclusion in these lists may apply in writing to the Director of Government Logistics or through the ETS at [www.ets.com.hk](http://www.ets.com.hk). Companies are required to provide basic information about their organizations and the goods they offer, such as the business registration certificate, company profile, annual report and product catalogs. The GLD evaluates this information, and those companies that are found acceptable will be included on the lists. The ETS allows GLD-registered suppliers to download tender documents and to submit tender offers and related questions on-line. To access ETS, firms need to subscribe. Details are available at <http://www.ets.com.hk/>.

Companies seeking more information on the GLD are encouraged to contact:

The Director of Government Logistics  
Government Logistics Department  
10/F, North Point Government Offices  
333 Java Road  
North Point, Hong Kong  
Tel: (852) 2231-5398  
Fax: (852) 2887-6591  
Email: [info@gld.gov.hk](mailto:info@gld.gov.hk)  
Website: <http://www.gld.gov.hk>

## **Distribution and Sales Channels**

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One of the best ways to sell products in Hong Kong is through the use of agents or distributors. It is also an excellent way to minimize the initial investment in the market. There is a wide range of companies that can serve as agents or distributors for U.S. firms. Other options for pursuing Hong Kong's market are establishing an office or partnering. Companies that are looking to sell equipment needing long-term maintenance, technical support or installation, or that are seeking to become involved in infrastructure projects, frequently partner with local companies.

The major selling factors are the same as in the United States: price, quality, compliance with technical specifications, timeliness of delivery, and service. Initial sales require more face-to-face contact as Asian agents, distributors and buyers generally place a premium on developing personal connections.

Hong Kong firms are eager to work with serious exporters. Firms can show their commitment to successful market entry by using metric measurements, providing Chinese-language materials, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and building relationships.

Companies considering entering this market should understand Hong Kong's fast-paced business climate. Decisions are made quickly. Firms must respond immediately to inquiries or risk losing opportunities to faster-moving competitors.

**Electronic Commerce**

Usage of personal computers (PCs) and the Internet has become an integral part of Hong Kong daily life. Hong Kong is on a par with the world's cities with the highest PC and broadband penetration in the world. According to a government survey conducted in 2006, over 1.6 million households or 72% of all households in Hong Kong had PCs at home. Among those households with a PC at home, some 1.56 million or 93.6% had their PCs connected to the Internet, representing 67.1% of all domestic households in Hong Kong. This represents a slight increase when compared to the situation in 2005.

In terms of Internet connection, 90 percent of the households and all commercial buildings in Hong Kong have access to broadband. As of June 2006, there were 185 Internet Service Providers (ISPs) licensed to provide broadband services. More than 1.68 million customers are using broadband services with speeds up to 1,000 Mbps (Megabits per second), accounting for over 24 per cent of the total population. In the residential market, 66% of the households are using broadband service. Internationally, Hong Kong's broadband penetration rate is among the highest in the world. In addition, Hong Kong's broadband services are very affordable. The high penetration rate together with the high bandwidth of broadband services in Hong Kong have formed a suitable platform for the launch of IPTV services. As of June 2006, there were over 700 000 IPTV subscribers.

In 2006, some 3,770,400 persons aged 10 and over, or 60.8% of all persons in that age group, had used Internet service in the twelve months before the survey via various media including PC, WAP phones and personal digital assistants (PDA).

Utilisation of electronic business services was also high among people in Hong Kong. About 97.4% of all persons aged 15 and over had used electronic business services of one form or another for personal matters in the twelve months before the survey, similar to that of 2005 (97.3%). The electronic business services covered in the Household Survey included the use of the Octopus transit card, Automatic Teller Machines (ATM),

e-cash, Easy Pay System (EPS), Payment by Phone Service (PPS), online searching for financial information/information on goods and services/information on job vacancies, etc.

Regarding the usage of online purchasing services, the 2006 survey estimated that around 508 300 persons aged 15 and over, or 8.8% of all persons in that age group, had used one or more types of online purchasing services for personal matters in the twelve months before the survey, being similar to that in 2005 (498 200 persons and 8.6%). Use of online Government services and browse of Government websites via Internet service were also more common. In the twelve months before the 2006 survey, 2,146,100 persons aged 10 and over, or 34.6% of all persons in that age group, had used online Government services for handling personal matters. In addition, among persons aged 10 and over who had used Internet service via non-mobile web device, 40.9% within the group (or 1 535 700 persons) had browsed Government websites/searched for or downloaded Government information online, indicating an increase of 3.5 percentage points from 2005.

According to the Establishment Survey, IT usage in the business sector, in particular Internet usage, maintained a steady growth, from 54.7% in 2005 to 55.9% in 2006.

Analysed by size of the establishments, 94.7% of large establishments, 80.7% of medium establishments and 51.7% small establishments had an Internet connection in 2006, as against 91.5%, 83.6% and 50.5% respectively in 2005.

Among the major sectors, PCs were most popularly used in the financing, insurance, real estate and business services sectors (88.1%) and the wholesale, retail, import/export trades, restaurants and hotels sectors (60.6%).

In 2006, 17.5% of the establishments had a Web site, 2% higher than the figure in 2005. The percentage continued to be much higher for large establishments (74.7%) than medium establishments (37.0%) and small establishments (13.5%). Nevertheless, only 8.7% of the establishments having Web pages/Web sites used their Web pages/Web sites as a channel for online ordering of their products and services.

In the twelve months before enumeration, 56.2% of the establishments had conducted electronic business activities. This was 2.5 percentage points higher than the corresponding figure in 2005. Analysed by type of the e-business activities conducted, receipt of goods, services or information through electronic means was the most common, followed by delivery of goods, services or information through electronic means. Electronic means included Internet, Interactive Response System through telephone lines/mobile telecommunications network and designated private network.

The total amount of business receipts received from selling goods, services or information through electronic means in 2005 was estimated at HK\$43.9 billion, representing a noticeable increase of 59.0% over the HK\$27.6 billion receipts received in 2004.

The Hong Kong SAR Government is committed to continue with its efforts and strives to help the industry, especially the small and medium enterprises, to exploit the full potential and benefits of IT in advancing their business interests. The Government will launch sector-specific programs in early 2007 to drive the development and adoption of

e-business applications and business process reengineering that help to sustain the competitiveness of businesses. Under the e-government program, the Government have launched a new One-Stop Access Portal, named GovHK, in September 2006 to facilitate better access to online government information and services.

External Telecommunications Services: The external

## Trade Promotion and Advertising

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U.S. companies can use a variety of promotional vehicles to introduce and raise the visibility of their products and services in the Hong Kong market. These include:

- Special trade fairs and exhibitions
- Advertising in the media and other public relations activities
- Seminars
- In-store promotions
- Joint promotions with wholesale and retail outlets

Hong Kong is a major conference and exhibition center. Hundreds of international exhibitions are held annually. Located in the business district on Hong Kong Island, the Hong Kong Convention and Exhibition Center (HKCEC, <http://www.hkcec.com>) is owned by the Hong Kong Trade Development Council (HKTDC) and operated by Hong Kong Convention and Exhibition Center Management Ltd. HKCEC consists of five exhibition halls, two ballroom-style convention halls, two theatres, and 52 variously sized meeting rooms. In December 2005, a new world-class exhibition and event venue, AsiaWorld-Expo (<http://www.asiaworld-expo.com>) opened. Located next to Hong Kong International Airport, AsiaWorld-Expo offers over 70,000 square meters of exhibition and function space. Both facilities make Hong Kong “The Events Capital of Asia”.

Television is a widely used medium with an estimated daily audience of 2.25 million households out of a population of nearly 6.9 million people. Hong Kong Television also reaches much of neighboring Guangdong Province in Mainland China, where Hong Kong programming is very popular.

Hong Kong is one of the largest centers in the world for Chinese-language publications. Hong Kong produces 771 publications, including 49 daily newspapers (23 Chinese, 13 English, eight bilingual, five Japanese), and 722 periodicals. Advertising agencies, including many international agencies, offer a full range of services in Hong Kong.

Suppliers should provide technical catalogs in English, and preferably in Chinese as well, for distribution to agents and firms. Company brochures are particularly useful when visiting Hong Kong for the first time. English-Chinese business cards are also helpful. Suppliers to economic development projects in Asia should consider using Hong Kong’s film industry to make agricultural and industrial training and marketing films in Chinese and other Asian languages to supplement technical manuals, catalogs and brochures.

## **Newspapers:**

South China Morning Post: <http://www.scmp.com>

The Standard: <http://www.thestandard.com.hk>

## **Chinese Newspapers:**

Apple Daily: <http://www.appledaily.atnext.com>

Hong Kong Economic Times: <http://www.etpress.com.hk>

Ming Pao Daily News: <http://www.mingpao.com>

Oriental Daily News: <http://home.orisun.com/odmain/index2.html>

Sing Tao Daily: <http://www.singtao.com>

## **Trade Journals:**

AmCham (Monthly): <http://www.amcham.org.hk>

Building Journal; Construction & Contract News (Monthly): <http://www.building.com.hk>

Far Eastern Economic Review (Monthly with the exception of February and August):  
<http://www.feer.com>

Fortune (Bi-weekly): <http://www.cci.com.hk>

Hong Kong Entrepreneur (Monthly): <http://www.cma.org.hk>

Hong Kong Industrialist (Monthly): <http://www.fhki.org.hk>

Logistics HK (Monthly): <http://www.hkpc.org>

Machinery & Materials (in Chinese) (Monthly): <http://www.hkmachine.com.hk>

**Featured U.S. Exporters (FUSE)** is a directory of U.S. products featured on U.S. Commercial Service websites around the world. It gives U.S. companies an opportunity to target specific country markets in the local language of business. Currently, listings are offered to qualified U.S. exporters seeking trade leads or representation in over 50 markets around the world including Hong Kong. For detail information please visit website: <http://www.buyusa.gov/home/fuse.html>.

## **Pricing**

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If possible, quote in metric and use a term of sale specifying delivery to Hong Kong (i.e. CIF or C&F destination rather than FOB origin). Hong Kong companies have many sourcing options, so American companies must make it as easy as possible to “buy American.”

## **Sales Service/Customer Support**

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Some sort of local presence, whether it is a branch office or an agent or distributor, is very important in getting established in the market. Doing business in Hong Kong (and

elsewhere in Asia) requires relationships that can only be developed with some kind of local presence. Prompt responses to inquiries and after-sales service are also crucial to succeeding in this very competitive market.

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The best protection for an American company is to market aggressively in Hong Kong. By using a good local agent, American manufacturers or suppliers can make their product legally available. Dealers have a strong incentive to stop any piracy or counterfeiting and, with good local connections, have a better chance of making that happen than an American company that is not actively participating in the market. The chief law enforcement agency for intellectual property rights (IPR) is the Hong Kong Customs and Excise Department, which works closely with affected industries and conducts vigorous anti-piracy and anti-counterfeiting operations. However, protecting copyrights or trademarks takes vigilance, and even with the U.S. Government vigorously pressing Hong Kong on this issue, enforcement is still dependent on reporting incidents of product piracy to the authorities and, in some cases, providing evidence in court. For more information on intellectual property legislation and registration, see Chapter 6: Investment Climate - Protection of Property Rights.

## **Due Diligence**

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Knowing your business partner is critical to evaluating any major business deal. In today's business climate, while a company's financial and legal standing are important, issues relating to the company's reputation, history, business ethics, integrity, business acumen, and influence in its business sectors and local environments can all be critical to a successful deal. One key aspect, often misunderstood, is that negative information need not be a deal killer. Such information often offers opportunities to re-negotiate better terms and/or structure deals to mitigate identified risks. The key to due diligence is to do it up front, before any commitments or deals are signed. Unlike Mainland China where it is difficult to gather information, getting information on Hong Kong entities is relatively easy. There are many service providers that offer investigative due diligence. A list of Hong Kong service providers is available from the U.S. Commercial Service Hong Kong website:

<http://www.buyusa.gov/hongkong/en/businessserviceproviders.html>.

## **Local Professional Services**

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Association of Accredited Advertising Agents of Hong Kong: <http://www.aaaa.com.hk>  
Direct Selling Association of Hong Kong: <http://www.hkdsa.org.hk>  
Hong Kong Designers Association: <http://www.hongkongda.com>  
Hong Kong Institute of Marketing: <http://www.hkim.org.hk>  
Hong Kong Management Association: <http://www.hkma.org.hk>  
Law Society of Hong Kong: <http://hklawsoc.org.hk>

Management Consultancies Association of Hong Kong: <http://www.mca.org.hk>

## Web Resources

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Business Licence Information Services: <http://www.licence.tid.gov.hk/>  
Companies Registry: <http://www.cr.gov.hk>  
Digital 21: <http://www.info.gov.hk/digital21>  
Doing Business in Hong Kong: <http://www.business.gov.hk>  
Government Logistics Department: <http://www.gld.gov.hk>  
GS1 Hong Kong (formerly Hong Kong Article Numbering Association – HKANA):  
<http://www.gs1hk.org>  
Hong Kong Industry Internet: <http://www.hkindustry.org>  
Hong Kong Industry On-Line: <http://www.hkiol.org>  
Hong Kong Productivity Council (HKPC): <http://www.hkpc.org/>  
Hong Kong Trade Development Council: <http://www.tdctrade.com>  
Hongkong Post: <http://www.hongkongpost.gov.hk/>  
Invest Hong Kong: <http://www.investhk.gov.hk>  
Small & Medium Enterprises (SME) Information Centre: <http://www.sme.gcn.gov.hk>  
Vocational Training Council (VTC): <http://www.vtc.edu.hk/>

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## **Chapter 4: Leading Sectors for U.S. Export and Investment**

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- [Landscape Architectural Services \(ACE\)](#)
- [Safety and Security Equipment \(SEC\)](#)
- [Laboratory and Scientific Instruments \(LAB\)](#)
- [Green Building Materials \(BLD, ACE, CON\)](#)
- [Environment Energy Services Companies \(ACE\)](#)
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### [Agricultural Sector](#)

U.S. Merchandise Exports to Hong Kong  
(in thousands of U.S. dollars)

Product	2003	2004	2005	Jan-Sep 2006
Electrical Machinery	4,508,543	6,035,469	5,743,606	4,121,626
Nuclear Reactor Parts	1,993,924	2,093,221	2,359,282	1,919,262
Pearls, Precious Metals + Stones	932,168	1,296,342	1,702,813	1,570,024
Plastic & Plastic Articles	805,003	922,002	1,012,482	919,779
Optical Goods	929,423	963,261	1,003,751	793,395
Other	5,178,030	5,420,866	4,500,665	3,762,082
<b>TOTAL</b>	<b>13,542,088</b>	<b>15,809,159</b>	<b>16,322,599</b>	<b>13,086,168</b>

With U.S. exports to Hong Kong in the first three quarters of 2006 of US\$13.1 billion, Hong Kong is the U.S.' 13th largest export market worldwide. The U.S. ran a US\$7.0 billion trade surplus with Hong Kong in the first three quarters of 2006.

The U.S. is Hong Kong's fourth biggest foreign supplier country, trailing Mainland China, Japan and Taiwan and Singapore, but ahead of South Korea, Malaysia, Germany, Thailand and the Philippines. During the period January to October 2006, imports from the U.S. jumped 0.6 percent over the same period in 2005.

The top ten U.S. states exporting merchandise to Hong Kong in the first three quarter of 2006 were:

- |                                  |                                 |
|----------------------------------|---------------------------------|
| 1. California (\$3.54 billion)   | 6. Washington (\$378 million)   |
| 2. New York (\$1.97 billion)     | 7. Pennsylvania (\$360 million) |
| 3. Texas (\$881 million)         | 8. Minnesota (\$322 million)    |
| 4. Massachusetts (\$408 million) | 9. New Jersey (\$311 million)   |
| 5. Illinois (\$397 million)      | 10. Tennessee (\$288 million)   |

U.S. Merchandise Exports to Macau  
(in thousands of U.S. dollars)

Product	2003	2004	2005	Jan-Sep 2006
Nuclear Reactor Parts	8,333	18,208	24,055	38,578
Special Classification Provisions	10,439	14,630	20,932	25,791
Toys, Games & Sport Equipment	1,297	6,661	14,570	18,740
Electrical Machinery	12,573	12,314	14,337	18,952
Aircraft and spacecraft	5,620	14,457	11,404	10,652
Other	16,304	19,266	16,218	30,272
<b>TOTAL</b>	<b>54,566</b>	<b>85,536</b>	<b>101,516</b>	<b>142,985</b>

Total U.S. exports to Macau increased 18.7 percent in 2005 to US\$102 million. There is significant dependence of Macau on Hong Kong in terms of economic activities. The Special Administrative Regions of Hong Kong and Macau together are the United States' 13th largest export market worldwide. The United States ran a US\$1.1 billion trade deficit with Macau in 2005, representing a decrease of 18% from 2004. The deficit reflects the opportunities for market expansion in the Macau local market for U.S. products since Macau's trade surplus with the United States gives Macau's population relatively large imports purchasing power.

## Computer Peripherals (CPT)

### Overview

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	2004	2005	2006
Total Market Size	2205	2400	2500
Total Local Production	3235	6615	5424
Total Exports	25558	33972	35414
Total Imports	24528	29757	32490
Imports from the U.S.	1478	1703	1862

All figures are in US\$ millions. The above statistics are unofficial estimates.

Hong Kong's IT equipment imports in 2005 reached USD 29.7 billion, a 21% increase over 2004. The estimated value of U.S. IT equipment exports to Hong Kong was USD 1.86 billion in 2005, representing a 9.3% increase over the previous year.

### Best Products/Services

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Along with the importance of IT and sustained popularity of the Internet, the demand for IT products and solutions continue to grow in Hong Kong, particularly in the following areas: Wireless/Mobile Applications; Multi-Media Products, Digital Entertainment; Logistics/Supply Chain Management; E-Commerce, Data Storage, and IT Security.

### Opportunities

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The Digital 21 Strategy was first published in 1998 by the Government of the Hong Kong Special Administrative Region to set out the Government's vision of developing Hong Kong into a leading digital city. The strategy was revised in 2001 and 2004 to take into account the evolving needs of the community and technological advancements. Moving ahead, the Government has identified the following key action areas in 2007 Digital 21 Strategy for implementation between 2007-2010.

(i) Promoting advanced technology and innovation

- strengthen infrastructure, as hubs for innovation and technology;
- facilitate intellectual property transfer and commercialization of innovation;
- focus and support technology domains including: (i) communications technologies; (ii) development of digital content; (iii) sensor and identification technologies; (iv) software development and packaging; and (v) next-generation Internet.

(ii) Developing Hong Kong as a hub for technological cooperation and trade

- established channels to cooperate with Mainland authorities;
- upgrading of the ICT workforce through developing competency standards to strengthen training;
- Information security: publish a risk assessment and electronic authentication framework in 2008 for public reference;
- Privacy safeguards: safeguard personal data privacy;
- Protection of intellectual property rights through legislation;
- Development of data standards;
- Regulatory framework: establish the Communications Authority as the single regulator for the communications sector.

(iii) Enabling the next generation of public services: The Government is committed to leading by example in the use of e-business, for both internal and public services.

(iv) Building an inclusive, knowledge-based society, five goals to move Hong Kong towards an inclusive, knowledge-based society: (i) broadband connectivity for every citizen; (ii) allowing every student access to ICT facilities to support learning; (iii) more affordable access to industry software solutions; (iv) information management; and (v) digital rights management infrastructure and culture.

The Government is one of the major driving forces behind IT development and usage in Hong Kong. Estimated Government IT spending for fiscal year 2006/2007 is USD 673 million.

Although Hong Kong is a relatively small market for US IT exports, U.S. companies should consider Hong Kong as a gateway into the Mainland China market. A substantial amount of IT products imported to Hong Kong is re-exported to China. In 2006, about 56% of Hong Kong's total exports of IT equipment went to China, totaling approximately USD 20 billion.

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### Major Trade Shows:

International ICT Expo (April 14-17, 2006): International ICT Expo  
April 14-17, 2007

Venue: Hong Kong Convention and Exhibition Center

<http://ictexpo.com>

### Associations:

Information and Software Industry Association

Ms. Satti Wong

Tel: (852) 2622-2867

Fax: (852) 2622-2731

Email: [info@isia.org.hk](mailto:info@isia.org.hk)

Website: [www.isia.org.hk](http://www.isia.org.hk)

Hong Kong Information Technology Federation LTd.

Daniel Ng, President  
Tel: 2287-8001  
Fax: 2287-8038  
Email: [daniel.ng@hkitf.org.hk](mailto:daniel.ng@hkitf.org.hk)  
Website: [www.hkitf.org](http://www.hkitf.org)

Hong Kong Wireless Technology Industry Association Ltd.  
John Chiu, Chairman  
Michael Kan, Executive Director  
Phone: 2370-3130  
Fax: 8208-8782  
Email: [contact@hkwtia.org](mailto:contact@hkwtia.org)  
Website: <http://www.hkwtia.org>

Hong Kong Internet Service Providers Association  
Chester Soong, Chairman  
Phone: 2803-2669  
Fax: 2803-2671  
Email: [csoong@hkispa.org.hk](mailto:csoong@hkispa.org.hk)  
Website: [www.hkispa.org.hk](http://www.hkispa.org.hk)

**Hong Kong Commercial Specialist's Contact:**

Fanny Chau  
Email: [fanny.chau@mail.doc.gov](mailto:fanny.chau@mail.doc.gov)  
Tel: (852) 2521-3721; Fax: (852) 2845-9800

## Electronic Parts/Components (ELC)

### Overview

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	2004	2005	2006
Total Market Size	5770	1759	4218
Total Local Production	1785	1874	2000
Total Exports	76414	92888	104994
Total Imports	80399	93636	107212
Imports from the U.S.	4855	5081	4850

All figures are in US\$ millions. The above statistics are unofficial estimates.

Hong Kong's electronic parts and components imports in 2005 was USD 93 billion, a 16% increase over 2004. The value of U.S. electronic parts and components exports to Hong Kong was USD 5 billion in 2005, a 5% increase over 2004.

### Best Prospects/Services

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Hong Kong imports a wide range of electronic parts and components, particularly for computers, telecommunications equipment, telephone apparatus, toys, games, watches /clocks, and audio/visual equipment. The growing popularity of the Internet, mobile-commerce, digitization as well as new developments and applications in multimedia will sustain near-term demand for parts and accessories for computers and telecommunications. Best Products include integrated circuits, switches, diodes, transistors, semi-conductors, capacitors, printed circuits, and parts for computers and telecommunications equipment.

### Opportunities

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China's Five-Year Plan in developing the electronic information industry and its WTO membership will sustain continuous demand for electronic parts and components. The Five-Year-Plan aims to develop (1) local computer hardware including network equipment and products, digital products, peripherals, spare parts, information security products, and applications; (2) software; (3) integrated circuits; (4) communication equipment; and (5) digital visual products. U.S. companies should be aware of the latest developments in Hong Kong's technology and focus on Hong Kong and China's growing demand for high-technology electronics parts and components.

Hong Kong plays an important role in U.S. exports to China due to its geographical proximity to China and its experience in China trade. In 2005, 65% of Hong Kong's total export of electronic parts and components went to China, totaling approximately USD 60 billion. Hong Kong re-exported a substantial amount of imported electronic parts and

components such as integrated circuits (ICs) and micro-assemblies to China for further production.

## Resources

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### Major Trade Shows:

ElectronicAsia  
October 13-16, 2007  
Venue: Hong Kong Convention and Exhibition Center  
[www.electronicasia.com](http://www.electronicasia.com)

Hong Kong Electronics Fair  
October 13-16, 2007  
Venue: Hong Kong Convention and Exhibition Center  
[www.hkelectronicsfair.com](http://www.hkelectronicsfair.com)

### Associations:

The Hong Kong Electronic Industries Association  
[www.hkeia.org](http://www.hkeia.org)

The Hong Kong Printed Circuit Association  
[www.hkpca.org](http://www.hkpca.org)

Surface Mount Technology Association (Hong Kong Chapter)  
[www.smta.org/chapters/chapters\\_detail.cfm?chapter\\_id=100](http://www.smta.org/chapters/chapters_detail.cfm?chapter_id=100)

Hong Kong Electronic Packaging & Manufacturing Services Association  
[www.hkepmsa.org](http://www.hkepmsa.org)

### Hong Kong Commercial Specialist's Contact:

Fanny Chau  
Email: [fanny.chau@mail.doc.gov](mailto:fanny.chau@mail.doc.gov)  
Tel: (852) 2521-3721; Fax: (852) 2845-9800

## Travel/Tourism Services (TRA)

### Overview

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	2004	2005	2006 (estimated)
Arrivals	184,668	205,117	219,475
Travel Receipts (US\$million)	295	359	384
Fare Receipts (US\$million)	256	284	392

Source: Hong Kong Immigration Department; The above statistics are unofficial estimates

### Best Prospects/Services

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1. FIT (for individual travel)
2. Prepaid package tours for family vacations
3. VRF (visiting relatives & friends)
4. MICE (meeting, incentive, conference and exhibition)

### Resources

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Hong Kong Immigration Department: [www.immd.gov.hk](http://www.immd.gov.hk)

Visit USA Committee Hong Kong  
Mr. Gilbert Chow, Chairman  
(General Manager of Northwest Airlines, Inc.)  
Unit 1908, 19/FI., Cosco Tower  
183 Queen's Road Central  
Sheung Wan, Hong Kong  
E-mail: [gilbert.chow@nwa.com](mailto:gilbert.chow@nwa.com)

Hong Kong Tourism Council  
Mr. Ronnie Ho, Chairman  
(Managing Director of Jetour Holiday Ltd.)  
Suite 1420, 14/FI., Ocean Ctr.  
Harbor City, T.S.T.,  
Kowloon, Hong Kong  
E-mail: [ronnieho@jetour-holiday.com](mailto:ronnieho@jetour-holiday.com)

**Hong Kong Commercial Specialist's Contact:**

Rose Mak

Email: [rose.mak@mail.doc.gov](mailto:rose.mak@mail.doc.gov)

Tel: (852) 2521-7173; Fax: (852) 2845-9800

## Environmental Technologies (POL)

### Overview

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	2004	2005	2006
Total Market Size	150	150	200
Total Local Production	0	0	0
Total Exports	350	350	400
Total Imports	500	500	600
Imports from the U.S.	150	150	220

All figures are in US\$ millions, and they are unofficial estimates.  
US\$1=HK\$7.75

Hong Kong has been putting a lot of resources toward tackling air pollution, water pollution and solid waste treatment problems. Owing to the imminent need to extend the life of existing landfills and construct a new Integrated Solid Waste Management Facility (ISWMF), solid waste management solutions and technologies will absorb most of the Government's investment in the environment in the next few years. An incinerator with the capacity of handling more than 5,000 tons of solid waste per day will likely be the core component of the ISWMF.

The majority of Hong Kong's wastewater undergoes primary treatment provided through the Harbor Area Treatment Scheme (HATS). Stage 1 of HATS was completed in December 2001. Stage 2A of HATS requires the provision of additional disinfection, the construction of sewage tunnels and expansion of existing chemical treatment capacity whereas Stage 2B requires the installation of biological treatment facilities. Although the Hong Kong Government has mapped out the future phases of HATS, it has no plans to start the project before 2008.

Hong Kong's air pollution problem is a regional one. The Government has been working with local power plants and the authorities in Guangdong (the province across the border) to cut emissions of major air pollutants before 2010. US companies should consider working with Hong Kong environmental companies to market clean manufacturing and desulphurization/denitrification technologies in Southern China.

### Best Prospects/Services

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The best prospects for US companies

Air:

- ☐ Analytical instruments
- ☐ Vehicle emission particulate reduction devices

- ❑ Desulphurization/denitrification technologies

Water/wastewater:

- ❑ Water filtration equipment (such as biological filtration)
- ❑ Disinfection technologies (UV, membrane & ozonation)
- ❑ Analytical instruments

Solid waste:

- ❑ Incineration
- ❑ Mechanical-biological treatment (waste sorting & separation)
- ❑ Biological treatment (composting)
- ❑ Waste-to-energy technologies

## Opportunities

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The Hong Kong Government announced a policy framework for municipal solid waste management in December 2005. The framework encourages waste separation & recycling, and only incinerating or sending the remaining to the landfill. This policy framework opens the huge waste reduction, recycling and treatment technologies market and represents outstanding business opportunities for US companies.

The market for industrial pollution prevention equipment has been increasing. Most of Hong Kong's manufacturers (estimated total of 80,000 industrial establishments) have shifted their production base to southern China. Traditionally, these manufacturers purchase plant and equipment from Hong Kong suppliers. Recently, the authorities in southern China have been encouraging these manufacturing facilities to recycle as much as 75 percent of its water consumption, and thus have created a rise in the demand for water reuse and recycling technologies.

Recent attention to air pollution, combined with plans to develop regional emissions trading, improve prospects for air pollution and emissions reduction technologies.

## Resources

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### Trade Shows:

Eco Expo Asia - International Trade Fair on Environmental Protection

Date: Oct 27 – 30, 2007

Venue: Asia World Expo

Website: [www.ecoexpoasia.com](http://www.ecoexpoasia.com)

### Trade Associations:

Environmental Contractors Management Association

[www.ecma.org.hk](http://www.ecma.org.hk)

Green Council

[www.greencouncil.org](http://www.greencouncil.org)

Hong Kong Environmental Industry Association

[www.hkenvia.org](http://www.hkenvia.org)

Hong Kong Green-Manufacturing Alliance  
[www.gmek.net](http://www.gmek.net)

Hong Kong Sustainable Communications Association  
[www.hksca.org](http://www.hksca.org)

Hong Kong Waste Management Association  
[www.hongkongwma.org.hk](http://www.hongkongwma.org.hk)

**Hong Kong Commercial Specialist's Contact:**

Olevia Yim  
Email: [olevia.yim@mail.doc.gov](mailto:olevia.yim@mail.doc.gov)  
Tel: (852) 2521-6166; Fax: (852) 2810-0970

## Landscape Architectural Services (ACE)

### Overview

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	2003	2004	2005 (est.)
Gross Value of Construction Work	21,800	19,722	20,708
Consulting fee involved (approx. 1%)	218	197	207
Market share for HK and overseas firms (est. 70%)	153	138	145
Market share for US firms (est. 30%)	65	59	62

All figures are in US\$ million, and they are unofficial estimates.

### Best Products/Services

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There is a shortage of landscape architects in Hong Kong. Only a few, sizable firms specialize in landscape architectural services. Hong Kong's landscape architects are trained mostly in Britain, Australia, and New Zealand. Some are trained in Canada and a few in the United States. The University of Hong Kong only started offering landscaping courses several years ago, with 24 students graduating every two years. Landscape architects trained in Commonwealth countries qualify automatically for local license requirements while those who train elsewhere must undergo assessment by the Hong Kong Institute of Landscape Architects. All landscape architects must register with the Landscape Registration Board. It is estimated that the private sector and the Hong Kong Government (HKILA) each employ half of the 200 landscape architects in Hong Kong.

### Opportunities

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Landscape architects are in short supply at a time when there is a focus by the Hong Kong Government (HKG) to "green" the environment and to increase the number of infrastructure projects, especially tourism-related projects. The Hong Kong Government's Environmental Impact Assessment Ordinance requires landscape impact studies for infrastructure projects, so landscape architecture services are in demand.

Although some designs are done in-house, the Government hires private consultants to provide landscape design services, particularly for large projects. It is also common for the Government to hire a lead architect who will then sub-contract the landscaping portion. U.S. landscape architecture firms can team up with local architects to provide conceptual design.

Private developers are putting more emphasis on landscaping to enhance the value of their properties in Hong Kong. Most of these developers invest heavily in hotel,

residential and shopping mall projects in Mainland China, where land is more abundant and the demand for landscape architectural services is huge.

The Government is in discussion with several U.S. theme park giants (e.g., Warner Brothers, Six Flags, and Universal Studio) to build additional theme parks on Lantau Island. Golf courses, spas, resorts, watersports centers, boardwalks and bicycle tracks are also on the drawing board for the island, as are a yacht club at Discovery Bay and a Formula Three race track. Tourist attractions that would take advantage of Hong Kong's heritage, local character and natural terrain are also under consideration. These include an eco-tourism center and preserving the Tai O fishing village. The island of Mui Wo, which is near Lantau, will have a facelift that includes possible reclamation to build a waterfront piazza. All of these projects require landscape architecture expertise.

Macau, another Special Administrative Region near Hong Kong, has liberalized its gaming industry. Las Vegas Sands, Wynn Resorts, and MGM are all making investments in the enclave, which aims to become the Las Vegas of Asia. Ultimately, the investment of the gaming concessionaires will amount to US\$14 billion. The construction of theme parks, casinos, a convention center and hotels will increase the demand for U.S. landscape architectural expertise.

## Resources

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### Major Trade Shows:

Hong Kong International Building Materials & Construction Equipment Fair (Oct 27-30, 2007): <http://www.hkbuildingmaterialsfair.com>

### Associations and Related Organizations:

Hong Kong Institute of Landscape Architects  
Tel: (852) 2131-8630  
Fax: (852) 2131-8609  
Address: P.O. Box 20561  
Hennessy Road Post Office  
Wanchai  
Hong Kong  
Website: <http://www.hkila.com>  
Email: [hkilonline@gmail.com](mailto:hkilonline@gmail.com)

### Hong Kong Commercial Specialist's Contact:

Elanna Tam  
Email: [elanna.tam@mail.doc.gov](mailto:elanna.tam@mail.doc.gov)  
Tel: (852) 2521-5950; Fax: (852) 2845-9800

## Safety and Security Equipment (SEC)

### Overview

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	2004	2005	2006 (estimated)
Total Market Size	78	82	100
Total Local Production	300	300	300
Total Exports	1091	1098	1100
Total Imports	869	880	900
Imports from the U.S.	61	62	70

Source: Hong Kong Census & Statistics Department

All figures are in US\$ millions, and they are unofficial estimates.

US\$1=HK\$7.75

Hong Kong is a growing market for safety and security equipment and services. In general, the Hong Kong market leans towards more sophisticated, high-tech products, an area in which U.S. firms enjoy a prominent market share. In 2005, imports for security and safety equipment totaled approximately US\$880 million. After Japan, the U.S. was the second largest supplier of high-tech security products. The European Union was the third major competitor in this area. China and Taiwan are market leaders in the low-end technology security market.

Hong Kong – security products sourcing agent for China

Security is of outmost importance in Beijing's preparations for the hosting of the 2008 Olympic Games. Security arrangements in the construction of Olympic venues and infrastructure facilities are priorities. The Olympics project covers 29 large facilities with a total floor area of over 1.5 million sq.m. Explosive detectors, security alarms and entry-exit control systems will be installed in all of these facilities.

To accommodate the mass influx of tourists during the Beijing Olympics, the number of five-star hotels in Beijing will double to over 800 by 2008. All of these hotel development projects require large quantities of fire and security alarms, as well as digital, network and intelligent systems integration products. US manufacturers, contractors and vendors should actively market their products using Hong Kong as a springboard.

U.S. exporters should be aware that certain security products may be subject to U.S. Export Control Regulations, and should pursue China projects after determining compliance requirements.

### Best Products/Services

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The best prospects for US companies:

- X-ray scanners

- Chemical detection system
- Rescue equipment
- Infrared sensor
- Surveillance equipment
- Detention equipment
- Alarms and access controls
- Identification devices
- Biometrics
- Radio frequency wireless technologies

## Opportunities

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Hong Kong has been a sourcing agent for China in terms of security equipment. It re-exported about 29% (or US\$ 256 million) of its total security equipment imports to China in 2005. Re-exports of security equipment to China has shown tremendous growth (20% average annual growth rate for the period beginning 2004 to end of 2005). US companies should use Hong Kong as a base for outreaching final customers in China.

This growing trend will continue under the Closer Economic Partnership Agreement (CEPA), which took effect at the beginning of 2004. Not only will this agreement benefit Hong Kong companies, it will open up tremendous new business opportunities for overseas companies, if they partner with or buy into a CEPA-qualified Hong Kong firm. U.S. security equipment manufacturers should note that HS product category 85291010, 85299030, 85299041, 85299049 (radar apparatus, video cameras and digital cameras) are among the categories of products, which will benefit from zero import tariff treatment by China under CEPA.

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### Trade Shows:

Asian Securitex 2008 - Asian International Security, Safety & Fire Protection Show and Conference

Date: June 2008

Venue: Hong Kong Convention & Exhibition Center

Website: [www.asiansecuritex.com](http://www.asiansecuritex.com)

### Trade Associations:

International Professional Security Association (Hong Kong) Ltd.

Website: [www.ipsa.com.hk](http://www.ipsa.com.hk)

Asian Professional Security Association

Website: [www.apsahk.org](http://www.apsahk.org)

### Hong Kong Commercial Specialist's Contact:

Olevia Yim

Email: [olevia.yim@mail.doc.gov](mailto:olevia.yim@mail.doc.gov)

Tel: (852) 2521-6166; Fax: (852) 2810-0970

## Laboratory and Scientific Instruments (LAB)

### Overview

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	2004	2005	2006 (estimated)
Total Market Size	194	160	250
Total Local Production	300	350	350
Total Exports	2254	2438	2400
Total Imports	2148	2248	2300
Imports from the U.S.	442	462	500

Source: Hong Kong Census & Statistics Department

All figures are in US\$ millions, and they are unofficial estimates.

US\$1=HK\$7.75

Hong Kong relies on imported analytical instruments to sustain the growth of its industrial testing and inspection industry, which is crucial to biotech, Chinese medicine, environmental technology, textile, industrial machinery, toy, and consumer electronic industries. The United States is a leading supplier of imported high-end instruments.

### Best Products/Services

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The best products are instruments and apparatus for physical or chemical analysis (e.g.: polarimeters, refractometers, spectrometers, gas or smoke analysis apparatus); instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension; and instruments and apparatus for measuring or checking quantities of heat, sound or light. Imports in these product categories are growing. The United States has been able to capitalize on market growth and supplied more than US\$462 million worth of products in 2005, 20 percent of the total imports in these product categories.

### Opportunities

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Hong Kong's small and medium-sized enterprises (SMEs) have shifted their production base to southern China. Some of these enterprises run their own in-house laboratories and require testing instruments.

To assist those Hong Kong SMEs to build their own brands and shorten their product development cycles, Shenzhen's Quality Supervision Bureau and the Hong Kong General Chamber of Commerce have drawn up policies and measures to encourage private investment in testing and calibration facilities by simplifying existing approval procedures for the establishment of such testing centers. They are also encouraging

private investors to rebuild existing testing facilities, which are mostly Chinese government-owned.

As a major transshipment center for China, Hong Kong will largely be acting as the laboratory equipment-sourcing agent for these testing and calibration facilities.

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### Trade Shows:

Asian Industrial Expo 2007

Date: June 2007

Venue: Hong Kong Convention & Exhibition Center

Website: <http://www.bitf.com.hk/eng/exhibitions.htm>

### Trade Associations:

Hong Kong Association of Certification Laboratories

Website: [www.hkacl.org](http://www.hkacl.org)

Hong Kong Accreditation Services

Website: [www.info.gov.hk/itc/eng/quality/hkas/hkas.shtml](http://www.info.gov.hk/itc/eng/quality/hkas/hkas.shtml)

Hong Kong Quality Assurance Agency

Website: [www.hkqaa.org](http://www.hkqaa.org)

### Hong Kong Commercial Specialist's Contact:

Olevia Yim

Email: [olevia.yim@mail.doc.gov](mailto:olevia.yim@mail.doc.gov)

Tel: (852) 2521-6166; Fax: (852) 2810-0970

## Green Building Materials (BLD, ACE, CON)

### Overview

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	2004	2005	2006
Total Market Size	91	95	100
Total Local Production	N/A	N/A	N/A
Total Exports	115	121	127
Total Imports	206	216	227
Imports from the U.S.	18	19	20

All figures are in US\$ million, and they are unofficial estimates.

### Best Products/Services

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There has been growth in the usage of environmentally friendly building products during the last five years. One reason is that developers find “green” features economical in the long run, despite higher initial installation costs. Another is that they help attract multinational corporate tenants. Government incentives and brand building concerns are also significant contributing factors.

Best sales prospects include those products that help to save energy, recover heat, reduce waste or maintenance needs, improve indoor air quality or come from sustainable sources. Twenty to thirty percent more green buildings have been built in Hong Kong in the past five years. T5 lamps, variable speed pumps, heat recovery systems, service-on-demand features, advanced window glazings and motion sensors have become more common. Building-integrated photovoltaic panels also is becoming popular. The market for green building products has significant potential.

Hong Kong re-exports over 50% of its imports to China. In 2005, major Hong Kong property developers paid more than USD4 billion to acquire 90 million square feet of land in China. U.S. companies should take advantage of Hong Kong’s strategic location and its ties with China to penetrate the China market.

### Opportunities

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Government regulations and incentives are playing a significant role in promoting the use of green building materials. Since 2001, the government has provided incentives to encourage developers to adopt green building features and construction methods to reduce waste. The incentive exempts green features from the calculation of the gross floor area of a property, which grants developers extra floor space to boost the market value of properties.

Universities in Hong Kong are promoting the concept of “green campus” through various measures including the use of more environmentally friendly building products. For example, the City University of Hong Kong planned to reduce energy consumption by 7% over 5-year period using year 2003 as the baseline. In the first two years until end of 2005, 5.5% savings in electricity bill was achieved. Some of the energy saving measures included replacement of exit signs with LED lamps, raising room temperatures to 25 °C, replacement of lighting fittings with T-5 energy efficient fluorescent tubes, installation of heat pump for hot water supply for shower use, installation of capacitor banks to power distribution systems to enhance the power factor.

On the private-sector front, there is a voluntary certification scheme that began in 1996 called the Hong Kong Building Environmental Assessment Method (HK-BEAM). HK-BEAM recognizes improved environmental performance in building design and management. Through May 2005, there have been 100 buildings or over 60 million square feet of floor space assessed by HK-BEAM. These include 52,000 residential units, equivalent to the homes of 150,000 people or slightly over 2% of Hong Kong population. The numbers make HK-BEAM the most widely used scheme of its kind in the world on a per capita basis.

In August 2005, the Hong Kong Government’s Building Department also launched CEPAS (Comprehensive Environmental Performance Assessment Scheme), a new buildings’ rating system. The scheme is voluntary, rating buildings on a “five-star” grading system. The rating system is based on 34 criteria in eight categories, ranging from hygiene and ventilation to waste management and cultural preservation during the design and construction stage. The best buildings will be given a platinum label. The other grades are gold, silver, bronze and unclassified. The certificate will be valid for five years. This system is meant to become a benchmark for all construction in Hong Kong, making environmental awareness a business plus.

In a sign that the public is growing increasingly environmentally conscious, the government plans to roll out the mandatory energy efficiency labeling scheme to cover air conditioners, refrigerators and compact fluorescent lamps sold in Hong Kong. Officials have estimated the scheme will save 150 million kwh of electricity and reduce carbon dioxide emissions by 105,000 tonnes each year. If Hong Kong follows the global trend, landlords and developers could be next – with the mandatory energy efficiency labeling on buildings, which is currently only a voluntary measure.

## Resources

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### Major Trade Shows:

Hong Kong International Building Materials & Construction Equipment Fair (Oct 27-30, 2007): <http://www.hkbuildingmaterialsfair.com>

Asia Building Technologies 2008 (June 4-6, 2008: <http://www.asianbt.com/>)

### Associations:

Hong Kong Professional Green Council  
<http://www.hkpgbc.org/>

Sustainable Development Strategy  
<http://www.susdev.org.hk/>

**Hong Kong Commercial Specialist's Contact:**

Elanna Tam  
Email: [elanna.tam@mail.doc.gov](mailto:elanna.tam@mail.doc.gov)  
Tel: (852) 2521-1467; Fax: (852) 2845-9800

## Environment Energy Services Companies (ACE)

### Overview

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	2004	2005	2006 (est.)
Gross Value of Construction Work	20,708	21,300	22,000
Consulting fee involved (approx. 1%)	207	213	220
Market share by HK and overseas firms (est. 70%)	145	149	154
Market share by US firms (est. 30%)	62	64	66

All figures are in US\$ million, and they are unofficial estimates.

### Best Prospects/Services

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Hong Kong is suffering from acute air pollution. While its own traffic and power generation contribute to the smog, studies estimate that 80% of the air pollution is created by power generation, factories and motor vehicles in the Pearl River Delta, an area north of Hong Kong that has a population of 50 million or 3.3% of China's total population. Hong Kong environmental and energy service companies are increasingly interested in working in China to help find solutions to the source of pollution as well as to help factories and power plants in China to save energy. U.S. engineering companies should consider partnering with Hong Kong firms to work on projects in the region.

### Opportunities

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Attracted by the robust economic growth in China, Hong Kong property developers have been investing in China's property market since 1980. In 2005, Hong Kong's major developers paid more than USD4 billion to acquire 90 million square feet of land in China. Meanwhile, property management firms are also finding a niche in China due to their management expertise. Many Hong Kong companies invested in grade A offices and up-market shopping malls, in addition to residential properties. Therefore, working with Hong Kong developers is a good way to introduce environmentally friendly building products, design and services to mainland China as well.

Since the 80's, Hong Kong factory owners have moved their manufacturing base to China, particularly Southern China, to take advantage of the lower land and labor costs. More than 80,000 factories in Guangdong province in mainland China are owned by Hong Kong-based firms. Twenty percent of these factories are highly polluting and many of them are energy inefficient. China's five-year development plan, issued in February 2006, calls for China to cut energy consumption per unit of economic output by

20 percent and to reduce emissions of sulfur dioxide – the chemical that causes acid rain- by 10 percent before 2010.

There are significant opportunities for U.S. environmental energy services companies to tap into the needs of these Hong Kong based companies for their properties or factories in China by partnering with Hong Kong engineering firms, in particular, by capitalizing on the "P2E2," (Pollution Prevention Energy Efficiency) model. In a nutshell, P2E2 is a market-based financing model in which the Environmental Energy Services Company (EESCO) provides services using a performance contract to the enduser, who pays no upfront extra capital cost to achieve pollution-reducing and energy-saving improvements to his facilities in mainland China, or Asian developing countries. P2E2 builds on a five-year plan of cooperation between the Chinese State Environmental Protection Administration and the U.S. Environmental Protection Agency. Financing for P2E2 projects is provided by Hong Kong commercial banks as working capital and trade finance loans that benefit from loan guarantees, loan syndications, direct investment and other support from the Asian Development Bank and the International Finance Corporation of the World Bank Group. Under the P2E2 model, service companies based in Hong Kong—U.S. companies' potential partners or customers --can do work anywhere in mainland China or in other developing countries in Asia, but get paid in Hong Kong in hard currency.

## Resources

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### Major Trade Shows:

International Conference on Climate Change

Date: May 29 – 31, 2007

Venue: Hong Kong Convention and Exhibition Center

HONG KONG INTERNATIONAL BUILDING MATERIALS & CONSTRUCTION  
EQUIPMENT FAIR 2007

Date: October 27 – 30, 2007

Venue: Asia World Expo

Organizer: Hong Kong Trade Development Council

38th Floor, Office Tower

Convention Plaza

1 Harbour Road

Wanchai, Hong Kong

Tel: 852 2584 4333

Fax: 852 2824 0249

#### ECO EXPO ASIA 2007

Date: October 27 – 30, 2007

Venue: Asia World Expo

Organizer: Hong Kong Trade Development Council

38th Floor, Office Tower

Convention Plaza

1 Harbour Road

Wanchai, Hong Kong

Tel: 852 2584 4333

Fax: 852 2824 0249

#### ASIAN BUILDING TECHNOLOGIES 2008

Date: June 2008

Venue: Hong Kong Convention & Exhibition Center

Organizer: Hong Kong Exhibition Services Ltd.

Unit 2010, 20/F

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

Hong Kong

Tel: 852 2804 1500

Fax: 852 2528 3103

#### **Associations and Related Organizations:**

Hong Kong Institution of Engineers

9/F., Island Beverley Centre,

1 Great George Street, Causeway Bay,

Hong Kong

Tel: (852) 2895-4446

Fax: (852) 2577-7791

[www.hkie.org.hk](http://www.hkie.org.hk)

The Chartered Institution of Water and Environmental Management

P.O. Box 4258

General Post Office

Hong Kong

Kenny Wong

Chairman

[kenny@hkpc.org](mailto:kenny@hkpc.org)

<http://www.ciwem.org/groups/>

#### **Hong Kong Commercial Specialist:**

Elanna Tam

Email: [elanna.tam@mail.doc.gov](mailto:elanna.tam@mail.doc.gov)

Tel: (852) 2521-5950; Fax: (852) 2845-9800

## Cosmetics and Toiletries (COS)

### Overview

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	2004	2005	2006 (estimated)
Total Market Size	595	631	681
Total Local Production	53	57	58
Total Exports	552	607	725
Total Imports	1,094	1,181	1,348
Imports from the U.S.	137	147	162

All figures are in US\$ million.

Imported cosmetics and toiletries meet 95% of local demand, as there is very little domestic production. Hong Kong's cosmetics and toiletries imports totaled USD1,09 billion in 2005. China was the largest supplier with 17% market share, followed by the U.S.(12.5%,) Japan (11.7%,) and France (11%.) Imports from the U.S. totaled USD147 million in 2005. U.S. cosmetics and toiletries' suppliers are known for innovative and technologically-advanced product development, and for producing safe, high-quality products at competitive prices.

Hong Kong consumers prefer imported cosmetics and U.S. exporters face keen competition from Japan and Europe. To maintain their competitiveness, many suppliers have begun focusing their marketing efforts on products that Asian consumers favor, especially skin-whitening and anti-aging facial treatments used in professional skin care salons and through dermatologist clinics.

To assist U.S. exporters, the U.S. cosmetics industry organizes a pavilion at the annual Cosmoprof Asia Show. U.S. companies have had tremendous success at this show. Hong Kong is an important entrepot for regional trading of cosmetic products, especially for re-exports to Vietnam and China. Many U.S. companies sell their cosmetics and skincare products to China through their Hong Kong distributors.

Several international cosmetics brands also chose Hong Kong as the first overseas market or for launching new products in Asia citing its open regulatory environment as the attraction. There are no tariffs on imported cosmetics and toiletries. Hong Kong accepts U.S. product labeling and there are no local mandatory labeling or registration requirements on cosmetics.

### Best Products/Services

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Products with the best sales prospects in Hong Kong are:

- Complete line of facial whitening and anti-aging products
- Hair coloring and treatment products

- Color cosmetics for eyes, lips and face including permanent make-up for eyes
- Nail colors, nail-care products, and artificial nails
- Skin treatments, slimming treatments and massage products for use in spas and professional skincare salons or under dermatologists' supervision.
- Organic and natural facial skincare, and personal care products.
- Chirally-formulated make-up and skincare products

## Opportunities

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Tourism, the territory's second largest earner of foreign exchange, also provides a substantial market for cosmetics and toiletries. Tourists to Hong Kong, especially from China, are spending more on cosmetics and perfumes. 12 million Mainland Chinese visited Hong Kong in 2005 and the number is expected to grow to 20 million in 2006. For 80% of the Mainland Chinese tourists that visit Hong Kong, cosmetic and skincare products are among their top 3 purchases. Hong Kong offers a wider choice of brands and retail prices are 30% lower than those in China. Also, the Hong Kong Tourism Board's Quality Tourism Services (QTS) Scheme ensures that its members (of which there are 19 cosmetics retailers) provide genuine products. QTS-accredited shops must pass stringent assessments each year to show that they provide genuine products with clearly displayed prices, product information and superb customer service before they are allowed to display the QTS sign prominently in their shops. The renowned international American, French, and Japanese brands of cosmetics and skincare products are most popular with the Mainland Chinese tourists. As such, for many international cosmetics brands, Hong Kong increasingly represents a launch pad into the Chinese market; Hong Kong creates the trends and acts as a showcase for the Chinese consumers.

To assist U.S. exporters, the U.S. cosmetics industry organizes a pavilion at the annual Cosmoprof Asia Show in Hong Kong. U.S. companies have had tremendous success at this show.

## Resources

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### Major trade show:

Cosmoprof Asia 2007; total exhibitors: 1,143 in 2006 (highest in 11 years), and total number of visitors in 2006: more than 40,000.

This is Asia's largest, most comprehensive and international beauty industry trade show for the past 11 years. It is the Asia version of the world's best beauty industry trade show, Cosmoprof, held annually in Bologna, Italy for the past 38 years. The trade show features equipment, products (skin care, cosmetics, personal care products, nail products, perfumes & toiletries, cosmetic raw materials) packaging, and training services in the beauty industry: hairdressing, spas, beauty and skincare salons. Website for the show: <http://www.cosmoprof-asia.com>. Under the U.S. Department of Commerce's "Asia Now" program, U.S. exhibitors at this show receive free market research and can enjoy the buyers' matching and counseling services of 15 U.S. Commercial Service

offices in the Asia Pacific region. At Cosmoprof Asia 2006, the U.S. Commercial Service offices in Singapore, the Philippines, and Taiwan, recruited more than 70 buyers to meet the U.S. exhibitors.

**Trade Associations:**

The Cosmetic & Perfumery Association of Hong Kong Ltd.

<http://www.cosmetic-perfume.com>

A listing of the Association's members comprising contact details of importers, distributors, wholesalers, and retailers is available at this website.

Hong Kong Cosmetic Technical Resources Centre

<http://www.hkctr.com>

Provides consultancy on regulatory requirements and assistance with product registrations in Hong Kong and China, technical support on product development, product testing and quality control services, provides customized technical training for cosmetic practitioners, and assistance in setting up laboratories.

**Hong Kong Commercial Specialist's Contact:**

Swee-keng Cheong (Miss)

Email: [swee-keng.Cheong@mail.doc.gov](mailto:swee-keng.Cheong@mail.doc.gov)

Tel: (852) 2521-1467; Fax: (852) 2845-9800

## Education/Training (EDS)

### Overview

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	2004	2005	2006 (estimated)
Total Student Visas Issued in HK (US, Australia, and Canada)	14,294	14,458	15,100
Total Expenditures Abroad by HK Students (US\$ million)	304	310	332
Total Students in the US	7,180	7,849	8,634
Total Expenditures in the US by HK Students (US\$ million)	172	188	207

All figures are in US\$ million, and they are unofficial estimates.

Education is of great public interest and concern in Hong Kong. The capacity of local universities is not adequate to accommodate applicants. Hong Kong is a cosmopolitan city, and most high-paying jobs require proficiency in English. English language proficiency is a highly regarded skill so many students seek opportunities overseas for their higher education. There is also a perception that the quality of locally educated university students is declining. Many parents feel that it is important for their children's future to send them abroad for secondary, tertiary, and higher education. According to the Hong Kong Education Department, nearly 16,000 Hong Kong students studied overseas in 2005. The top four destinations were – the U.S., Australia, Canada, and Britain. In order to keep its market position, U.S. universities need to promote their educational programs more actively to keep pace with schools from these other countries.

Due to the business community's complaints about declining English language capability of Hong Kong students and the increased concern about a weakening education system from parents of Hong Kong students, there are significant opportunities for American institutes of higher education. In 2005, the number of students from Hong Kong studying in the U.S. increased by 9% to 7,849. Hong Kong is the 12<sup>th</sup> leading place of origin (up from #15). We estimate that each Hong Kong student spends about US\$24,000 each year and a Hong Kong student population of 7,849 generates an "export" of USD188 million in education and related services. Hong Kong students are inclined to study in the U.S. because they perceive American institutions to have the best programs in business, tourism and hospitality management (the fastest growing industries in Hong Kong), engineering, computer science, and information technology in the world. In addition to this, the business community in Hong Kong prefers U.S. degrees, because of the strong business relationships between U.S, Hong Kong and China, which make U.S. education even more attractive. Preferred states are California, New York, Massachusetts, Washington, and Michigan.

Many U.S. Educational institutions (both secondary and tertiary) are active in recruiting Hong Kong students. Strong competition exists, however, from schools in Australia, Canada and the U.K. Nevertheless, industry experts predicted that Hong Kong students study overseas to be increased 10% for next year.

The most cost-effective way to recruit Hong Kong students is to hire a local representative because parents and students often depend on these agencies for information and assistance, admission and student visa application processing, overseas boarding recommendations and travel arrangements. Another way to disseminate information to Hong Kong students is by sending promotional materials to Hong Kong high schools or public libraries. Taking part in education fairs is also a good way to reach Hong Kong students.

### **Best Products/Services**

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Boarding School; Bachelor's Degree in Business Management, Computer Science, Mathematics, Engineering, Social Sciences and Life Science; MBA and EMBA

### **Resources**

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#### **Trade Associations:**

The Institute of International Education  
Room 601, General Commercial Building,  
156 - 164 Des Voeux Road,  
Central, Hong Kong.  
Tel: (852) 2603 5771  
Fax: (852) 2603 5765  
Website: [www.iiehongkong.org](http://www.iiehongkong.org)  
E-mail: [iihk@cuhk.edu.hk](mailto:iihk@cuhk.edu.hk)

Education and Manpower Bureau  
Room 1815, Landmark North  
39 Lung Sum Avenue, Shung Shui, Hong Kong  
Tel: (852) 2639 4774  
Fax: (852) 2391 0470  
E-mail: [enquiry\\_ncr@emb.gov.hk](mailto:enquiry_ncr@emb.gov.hk)  
Website: [www.emb.gov.hk](http://www.emb.gov.hk)

#### **Hong Kong Commercial Specialist's Contact:**

Rose Mak  
Email: [rose.mak@mail.doc.gov](mailto:rose.mak@mail.doc.gov)  
Tel: (852) 2521-7173; Fax: (852) 2845-9800

## Transit Equipment (RRE)

### Overview

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	2004	2005	2006 (estimated)
Total Market Size (Equipment)	127	113	119
Total Local Production (Equipment)	N/A	N/A	N/A
Total Exports (Equipment)	3	0	0
Total Imports (Equipment)	130	113	119
Imports from the U.S. (Equipment)	23	20	22
Total Imports (Services)	280	293	305
Imports from the U.S. (Services)	98	102	108

\* Figures include railroad equipment and services. All figures are in US\$ million. The above statistics are unofficial estimates. Exports of transit services statistics are not available.

Hong Kong has five different rail systems: the heavily utilized Mass Transit Railway (MTR) network, the suburban Kowloon-Canton Railway (KCR), the Light Rail Transit (LRT) system, the Peak funicular tramway and a street tramway. The MTR is operated by the Mass Transit Railway Corporation Limited (MTRC, a listed company with Hong Kong Government holding 76 percent shares in MTRC) while the KCR and LRT are operated by the Kowloon-Canton Railway Corporation (a wholly Government owned public corporation.) Both MTR and KCR are profitable and operate without any Government grants. The MTRC is currently waiting for the Hong Kong legislature to approve a merger with the KCR. This merger aims to increase the overall efficiency of the combined railroad system and to maximize utilization of existing facilities. The tramways are owned by private operators.

Railroads account for 31 percent of daily domestic passenger travel and over 80 percent of cross-boundary passenger trips to Mainland China. The Government's transport policy is to use railroads as the backbone of the public transport system. As outlined in the Railway Development Strategy 2000, the rail systems are being extended. An estimated US\$13 billion will be spent on six additional rail lines targeted for completion between 2008 and 2016.

Exports of railroad equipment to Hong Kong increased by five percent from approximately US\$113 million in 2005 to US\$119 million in 2006. Exports of railroad equipment should pick up in the next two years to coincide with the start of a new purchasing cycle for the upcoming projects planned in 2008. The U.S. supplies US\$22 million worth (or 18%) of railroad equipment to Hong Kong. It is important to note that

these statistics understate the total actual participation of U.S. companies in the Hong Kong railroad market. This is largely due to the fact that some large U.S. companies provide consultancy and project management services that are not captured by these statistics. U.S. export of railroad-related services is estimated to increase by six percent from US\$102 million in 2005 to US\$108 million in 2006.

## **Best Products/Services**

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Historically, large U.S. building and construction companies have not been very active in the Hong Kong transit industry. In railroad projects, civil contracts are still the largest share of all contracts. Electrical and mechanical (E&M) contracts contribute a smaller share (e.g. E&M contracts only account for 22 percent of all the Airport Railroad contracts). American building and construction companies should consider forming strategic alliances with local firms. Local experience is crucial in winning any railroad projects and large civil engineering contracts have been won by construction consortia.

Other best prospects for U.S. companies include railroad project management, environmental impact assessment consultancy projects, controls and communications projects and rail security.

## **Opportunities**

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### **MTR's Planned Projects in Hong Kong**

MTR operates a railroad network of 90.0 kilometers with 52 stations. Its seven-line commuter network has a daily patronage of over 2.4 million passengers and a design capacity of up to 85,000 passengers per hour. Upcoming extension projects include the West Island Line and South Island Line. The implementation program and detailed design were completed in August 2006 and contract procurement will be conducted in 2007. Construction of the West Island Line will take four years to complete. MTR is currently discussing the South Island Line project with the Government. The design and statutory processes will take two years to complete, followed by another four years to complete the construction of the South Island Line.

### **KCRC Planned Projects**

Planned KCRC extension projects:

- Kowloon Southern Link – Planned 3.9 km line.
- Shatin to Central Link – In the planning stage, not yet approved by the government.
- Northern Link – Planning to combine the Northern Link and the Hong Kong section of the Guangzhou and Shenzhen-Hong Kong Express Rail Line.
- Express Rail Link – Planning stage.

## Resources

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Mass Transit Railway Corporation: <http://www.mtr.com.hk>

Kowloon Railway Corporation: <http://www.kcrc.com>

### **Hong Kong Commercial Specialist's Contact:**

Alice Lai

Email: [alice.lai@mail.doc.gov](mailto:alice.lai@mail.doc.gov)

Tel: (852) 2521-4638; Fax: (852) 2845-9800

Total U.S. agricultural exports to Hong Kong reached US\$1 billion in 2005. This ranks Hong Kong as the 13<sup>th</sup> largest market for U.S. agricultural products. Hong Kong is also an important market for consumer-oriented products, ranked as the 10<sup>th</sup> largest market for such items as fresh fruits and vegetables, poultry and meat products.

Of all U.S. agricultural exports to Hong Kong, hides & skins, fresh fruit, cotton, poultry meat, processed fruit and vegetables, tree nuts, and red meats are the leading items. Fresh fruit topped the list of U.S. food exports to Hong Kong in the first ten months of 2006, reaching a value of US\$126 million and representing a rise of 15 percent over the corresponding period in 2005. Popular items include oranges, apples and grapes. Chicken meat exports to Hong Kong are still a star performer as Hong Kong consumers continue to enjoy U.S. chicken wings, feet, franks and leg quarters. U.S. red meat and meat products had been temporarily suspended by the Hong Kong Government since the single positive case of Bovine Spongiform Encephalopathy (BSE) was identified in the State of Washington in December 2003 from a cow that originated from Canada. The U.S. Government then had been actively engaged in explaining to the Hong Kong Government the high safety standards applied to U.S. food, including red meat. The Hong Kong Government subsequently partially lifted its temporary restrictions on U.S. beef in late December 2005 allowing entry of U.S. boneless beef derived from cattle under 30 months of age. Given the popularity of U.S. beef products in Hong Kong, U.S. red meat exports reached a total export value of \$40 million in the first ten months of 2006, representing a surge of 191 percent between January – October, 2005 and January – October, 2006.

The U.S. is a major supplier of cotton, well known to the market for its high quality with very little contamination, along with hardwood lumber and hides and skins.

Table: Top U.S. Agricultural Exports to Hong Kong

(In thousands of dollars)

<b>Product</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006 Jan - Oct</b>
Hides & skins	137,010	197,485*	166,859	134,734	151,937
Fresh fruit	165,064	164,850	121,783	138,270	125,592
Cotton	63,115	66,240	60,788	62,463	59,028
Poultry meat	191,041	120,639	79,086	63,483	51,898
Processed fruit & vegetables	53,332	42,307	48,906	51,663	40,764
Hardwood lumber	86,900*	70,870	65,802	43,416	30,770
Tree nuts	59,970	57,527	67,550*	58,914	50,871
Red Meats, fresh/chilled/frozen	95,041	118,175*	24,433	23,953	40,193

Note: \*Denotes highest export levels since at least CY1970

Hong Kong's agricultural import market continues to command the attention of producers, manufacturers, processors and exporters of U.S. agricultural products, due to several factors, including:

1. the absence of trade barriers to agricultural products other than alcoholic beverages and processed tobacco products,
2. a strategic location next to the potentially enormous Mainland China market, frequently resulting in "unofficial" re-exports subject to low or no duties, and
3. a highly-developed marketing system and affluent consumers who demand high value imports. Per capita income (US\$26,500 for 2006 forecast) in Hong Kong is among the highest in Asia, with a significant portion of income spent on food.

Although Hong Kong's unemployment rate dropped from over 8 percent in 2003 to 4.5 in the three months ending October 2006, the economic downturn in recent years has affected consumers' eating and shopping habits. Whereas most people used to eat out frequently, more are now shopping for groceries and preparing more meals at home, or eating meals at low-end or fast food restaurants. Hong Kong's relatively sophisticated shoppers are becoming even more health conscious. Shoppers are buying an increasing percentage of their groceries in supermarkets, as opposed to traditional wet markets. Demand for grocery store products, meats, poultry, eggs and fresh fruit continues to be very strong. Although still a small segment of the overall market, natural and organic food and beverages are also becoming more popular.

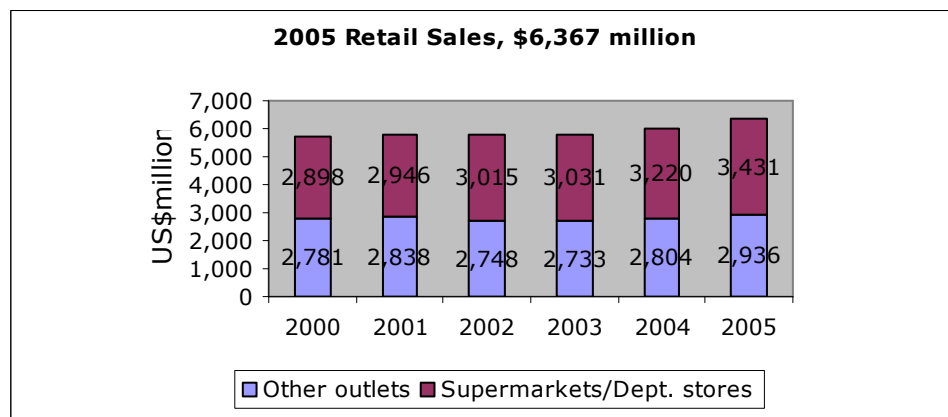
- After more than five years of decline, the monthly consumer prices rose again from July 2004 onwards. The government's 2006 forecast rate of increase for consumer price index is maintained at 2 percent.
- Tourist arrivals in 2005 increased by 7.1 percent, reaching a record 23 million. In the first nine months of 2006, a total of 18.57 million tourists visited Hong Kong, representing a 9.5 percent year-on-year increase. The Hong Kong government has geared up to develop the tourist industry in Hong Kong. In recent years, some major tourist attractions have been completed including Hong Kong Disneyland, the Tung Chung Cable Car System, and Hong Kong Wetland Park. In 2005, tourists spent \$1.3 billion in restaurants (excluding restaurants located in hotels), accounting for 17 percent of Hong Kong's HRI business. In contrast, tourists' contribution to HRI sales amounted to 14 percent in 2004. As such, robust tourism not only has the merit of stimulating a series of peripheral businesses but also has a positive direct impact on HRI revenue. In view of the bullish global economic environment, the Hong Kong Tourism Board expects tourist arrivals to reach 27 million in 2006. In this connection, the multiplying effect of inbound tourism will further boost imports of U.S. products.

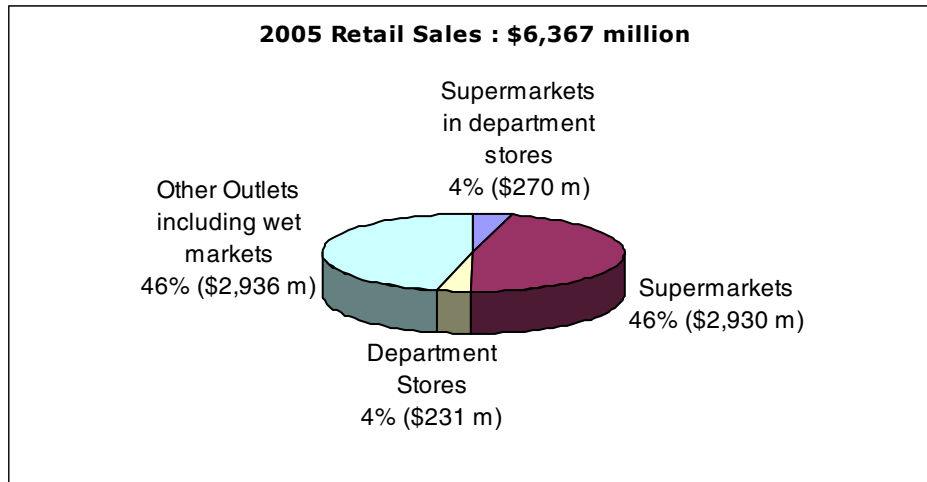
### **Retail Sales and Outlets**

- Total retail sales of food and drinks in Hong Kong for 2005 reached \$6.4 billion, representing a growth of 6 percent compared to 2004. For January – November 2006, retail sales of food and alcoholic drinks for traditional markets and

supermarkets, increased 7.3 percent and 4.1 percent respectively, compared with the same period last year. The outlook for spending is promising. Based on the growth rate of the first eleven months, Hong Kong's retail sales of food and drinks in 2006 are expected to have a growth of 6 percent as well. Given a continuing buoyant economy, retail sales are expected to continue to grow in 2007 by around 4 percent.

- Despite a highly centralized supermarket retail network, with two supermarket chains accounting for about 80 percent of the supermarket turnover, the total number of retail establishments in 2006 stands at approximately 15,083. These retail establishments include (1) 85 supermarkets and convenience store establishments (the number of supermarkets and convenience stores is about 1,634 if branch outlets are included) and (2) 14,998 wet market stalls and "mom and pop" shop operators. Retail shops in Hong Kong generally are very small in size, about 98 percent of which hire less than 10 employees.
- Traditionally, Hong Kong consumers shop for food daily because of a preference for fresh food. Much of the shopping is still done in traditional markets including wet markets and mom-and-pop shops. While both wet market and supermarket sales are increasing, supermarkets are taking a greater share of total sales. The supermarket's share in terms of retail sales rose from 44 percent of total sales in 1995 to 54 percent in 2005. The retail sales share of supermarket is expected to continue to expand in the future at the expense of that of traditional markets. Many supermarkets in Hong Kong now have successfully tapped the fresh food market by offering fresh foods at very competitive prices and providing a comfortable shopping environment, which is very different from traditional wet markets. In 2000, only \$524 million worth fresh/chilled meat, fish, fruit and vegetables and frozen food were sold in supermarkets. The sales values of the same category in supermarkets greatly expanded to \$684 million in 2005, increasing 31 percent over 2000. This trend is expected to continue.



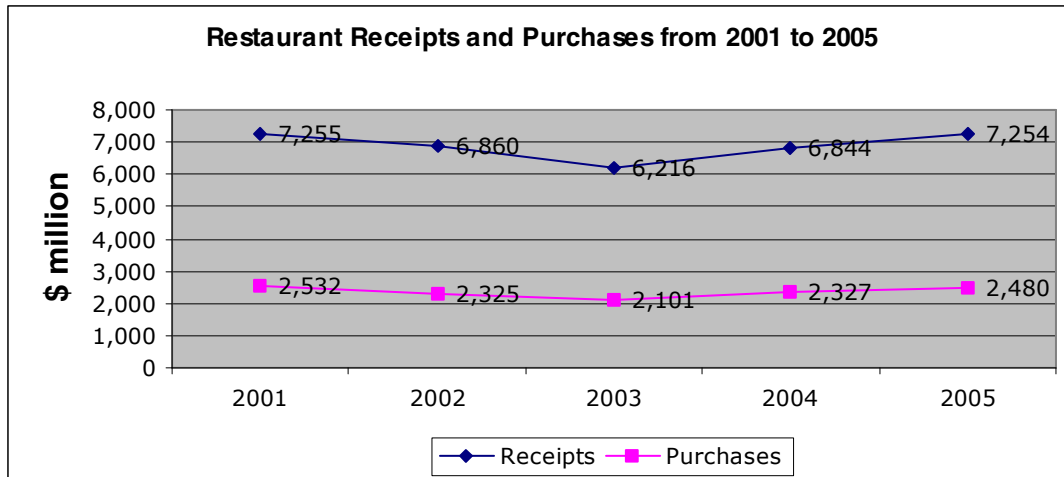


- In short, wet markets are strong in fresh foods, while supermarkets are strong in processed, high added value, and canned food products. The competition between wet markets and supermarkets has intensified in recent years. Some wet markets have installed air conditioning and provide free shuttle service to nearby residential areas. In the next few years, the Hong Kong Government has earmarked over \$77 million to improve the environment of wet markets. Meanwhile, more and more supermarkets have been renovated to make sales of fresh meats possible and to enhance the overall experience of the convenience of shopping at a supermarket.

## **HRI Food Service Sector**

### **Restaurants**

- A sustained revived economy with burgeoning tourism, and rising stock and property markets have attributed to the good prospects of the catering industry for 2006. There are many positive economic indicators to support the expectation that the HRI business will grow further in 2007.
- Restaurant businesses have remained vibrant since 2004 after the gradual recovery from the doldrums experienced in 2003 because of SARS impact. In 2005, the value of total receipts for the restaurants sector was \$7.3 billion and for purchases was \$2.5 billion, representing a rise of 6 percent and 7 percent respectively. For the first nine months of 2006, total restaurant receipts amounted to \$5.9 billion, representing a rise of 9 percent over the same period in 2005.



Source: Quarterly Restaurant Receipts and Purchases produced by the Hong Kong Census & Statistics Department

- Hong Kong is renowned as the “Culinary Capital of Asia”. It has approximately 10,340 restaurants, providing a wide range of dining options. Eating out is a way of life for many locals. In addition, there are over 1,000 bars and other eating and drinking places.
- Chinese food, in particular Cantonese style foods, tend to dominate the restaurant sector. This is evident in that Chinese restaurants account for 45 percent of the 10,340 restaurants in Hong Kong.

	2004 (Dec)	2006 (June)	% change	Percentage by number 2004	Percentage by number 2006
Chinese restaurants	4,429	4,687	6%	46%	45%
Non-Chinese restaurants	3,625	4,040	11%	38%	39%
Fast food shops	1,537	1,613	5%	16%	16%
Total	9,591	10,340	8%	100%	100%

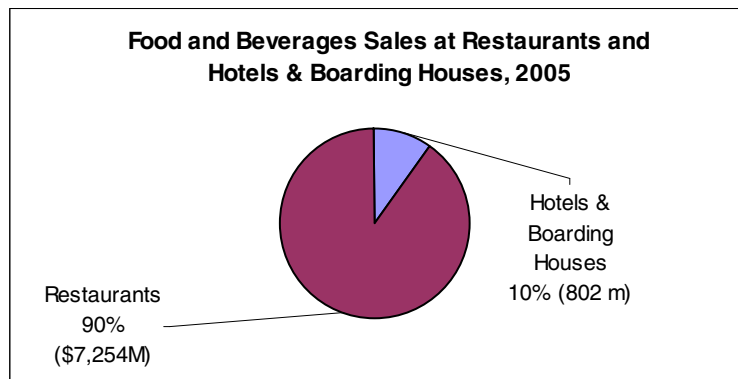
Source: Hong Kong Census & Statistics Department

- Local Chinese in their 30's have a greater propensity to eat Western style food and are more likely to experiment with non-traditional styles. The growth of non-Chinese chains in Japanese food, fast food, coffee and snack and casual dining establishments has been evident.
- McDonald's, Dominos, Pizza Hut, Pret A Manger, Starbucks, Pacific Coffee and others have all grown rapidly in numbers over the past years and now have become fixtures in the Hong Kong market. Given the robust economy of Hong Kong, Kentucky Fried Chicken has embarked on an expansion plan by expanding the number of its outlets to 90 in Hong Kong by 2009. Presently, it has about 50 outlets in Hong Kong with an average of over three million customers per month.

- In 2006, Hong Kong witnessed the opening of the first Bubba Gump Shrimp Co. Restaurant and Market in Hong Kong. Having confidence in the strong growing business environment in Hong Kong and recognizing Hong Kong being a major regional and international tourist hub, this casual American seafood restaurant plans to open three further restaurants in Macau and Hong Kong over the next four years. In addition, Krispy Kreme Doughnuts have now arrived in Hong Kong. The first shop was opened in summer 2006 and 20 other outlets are expected to start business in the next five years in Hong Kong and Macao.
- A fast developing sector of the market is the fast food outlets. The number of fast food shops increased 5 percent between December 2004 and June 2006. According to a survey conducted by AC Nielsen, Hong Kong people are the world's most frequent patrons of fast food restaurants. The survey revealed that 61 percent of people in the territory eat at a fast food restaurant at least once a week. The popularity of fast food in Hong Kong was mainly due to convenience. Popular fast food chains in Hong Kong are Maxim's, Café de Coral, McDonald, Kentucky Fried Chicken and Pizza Hut.
- As consumers are getting more health conscious, fast food chains have provided more health food menu such as salads, premium juice drinks, etc.
- The major fast food operators, Café de Coral, Maxim's and Fairwood have innovated their menus by introducing numerous new ingredients as consumers become more demanding. These fast food operators are also renovating their older restaurants to give them a more upscale look, in order to create more value in patrons' minds.
- Exporters should note that tastes in food can often differ between Chinese and Western consumers. Exporters looking to develop business with the HRI trade should also consider applying U.S. ingredients for Chinese dishes offerings.
- Another key feature of Hong Kong's HRI is the increasingly competitive coffee shop market in Hong Kong with new outlets opening around the city. In recent years, it is a trend to open upstairs cafes in order to cut rental fees. They are largely located in commercial areas. While westerners will stand up and drink a coffee, Chinese people in the Hong Kong market want to sit down and take their time over their sandwich or cup of coffee. Starbucks (64) and Pacific Coffee (47) are Hong Kong's two largest coffee shop chains. McDonald's has also vigorously expanded its McCafe in order to take a slice of the market.

## **Hotels**

- There are 118 hotels and 473 boarding houses in Hong Kong with approximately 43,576 and 5,328 rooms respectively. The average occupancy rate per hotel is 90 percent and per boarding houses is 81 percent.
- In 2005, hotel and boarding houses receipts totaled \$2,296 million and \$64 million respectively. About 34 percent of receipts came from food and beverage sales i.e. \$802 million.



- Many five-star hotels serve exclusively U.S.-origin beef, chicken, turkey, eggs, and a wide assortment of U.S.-origin fruits and vegetables. Out of the 118 hotels, about 21 classified as “high tariff A hotels”.
- The government provides a searchable list of licensed Hotels & Guest Houses at <http://www.hadla.gov.hk/>. A list of Hong Kong hotels is available at [http://www.discoverhongkong.com/eng/mustknow/search/mk\\_sear\\_resu.jsp](http://www.discoverhongkong.com/eng/mustknow/search/mk_sear_resu.jsp)

## **Institutions**

- Institutional market segments of significance include schools, hospitals, and airlines.
- The institutional catering sector is predominantly handled by a small number of large groups that are generally aligned with the restaurant sector.
- The Hospital Authority operates 40 hospitals with approximately 27,000 beds. These hospitals’ catering services are procured by tender.
- There are 720 primary schools with a total number of 425,864 students. School lunch boxes are commonly made available at schools for students. The typical lunch box consists of a meat dish and rice. Healthy eating programs are underway to encourage a change in eating trends for schools. Caterers have to register with the Hong Kong Food and Environmental Hygiene Department (FEHD) before they are eligible to bid on tenders provided by individual schools.
- The Agricultural Trade Office Hong Kong can provide U.S. exporters with the list of registered caterers for school lunch boxes.
- There are three aircraft catering franchisees at the Hong Kong International Airport, namely, Cathay Pacific Catering Services (HK) Ltd, Lufthansa Service Hong Kong Ltd and Gate Gourmet Hong Kong Ltd. These three airline catering franchisees at Hong Kong International Airport have a combined capacity of 120,000 meals per day. The aircraft caterers provide a comprehensive range of flight catering services. These services include the preparation and assembly of

flight meals, loading onto aircraft and unloading of food and other catering loads, and the storage of catering equipment and supplies.

### Ten Best Prospects for U.S. Consumer Oriented Product Exports in 2007

- Meats
- Fresh Fruits
- Processed Fruits & Vegetables
- Juice Drinks
- Tree Nuts
- Organic Food & Beverages
- Wine
- Eggs
- Snack Foods
- Pet Foods

Opportunities are also available for U.S. exporters to gain exposure to the Hong Kong/Mainland China market via the following Food and Beverage Trade Shows that take place each year in Hong Kong:

- HOFEX 2007 (May 13-16, 2007): <http://www.hofex.com>
- Natural Products Expo Asia 2007 (June 27-29, 2007): <http://www.naturalproductsasia.com>
- Wine & Gourmet Asia (Nov 7-9, 2007 in Macau): <http://.wineandgourmetasia.com>
- Restaurant & Bar 2006 (May 20-22, 2008): <http://www.restaurantandbarhk.com>

Contact the U.S. Agricultural Trade Office – Hong Kong for more information on Great American Food!

Agricultural Trade Office  
18/F, St. John's Building  
33 Garden Road, Central  
Hong Kong  
Tel: (852) 2841-2350  
Fax: (852) 2845-0943  
Email: [atohongkong@usda.gov](mailto:atohongkong@usda.gov)  
Website: <http://www.usfoods-hongkong.net/>

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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## Chapter 5: Trade Regulations and Standards

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- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

### Import Tariffs

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Hong Kong imposes no tariffs on general imports, with the exception of four categories of goods: liquors, tobacco, hydrocarbon oil, and methyl alcohol. For example, the rate for wine is currently 80 percent, and the rate for unleaded gasoline is US\$0.78 per liter. The current list of dutiable goods and corresponding rates is available at: [http://www.customs.gov.hk/eng/major\\_dutiable\\_freeport\\_e.html](http://www.customs.gov.hk/eng/major_dutiable_freeport_e.html). In addition, a steep "First Registration Tax," which ranges from 35 to 100 percent of the price, is levied on new car purchases.

To inquire about specific products contact:

Customs and Excise Department  
8/F, Harbour Building  
38 Pier Road, Central  
Hong Kong  
Tel: (852) 2852-3324  
Fax: (852) 2542-3334 (Dutiable Commodities Division)  
Website: <http://www.customs.gov.hk>

### Trade Barriers

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Hong Kong is a duty-free port, with few barriers to trade in goods and services and few restrictions on foreign capital flows and investment.

### Import Requirements and Documentation

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U.S. standard trade documentation is acceptable.

## **U.S. Export Controls**

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Hong Kong maintains an effective, highly autonomous and transparent export control regime that the U.S. Government has encouraged others to emulate. The United States continues to provide Hong Kong importers the same level of access to controlled dual-use U.S. technologies as before reversion. The Hong Kong Government imposes restrictions on the import and export of high-technology products, mirroring the control lists of the internationally observed multilateral export control regimes (Wassenaar, MTCR, Australia Group and, as of early 2004, the Chemical Weapons Convention). Hong Kong has also adopted catch-all export license provisions that cover exports and re-exports to entities and institutions involved in promoting the production of weapons of mass destruction. This includes restrictions on unlicensed re-exports from Hong Kong to Mainland China. A caution to U.S. exporters: Hong Kong has not adopted U.S. unilateral export controls, but the U.S. Government will penalize U.S. firms involved in transactions covered by U.S. unilateral controls where the goods transiting Hong Kong go to countries or entities sanctioned by U.S. export control laws.

With the January 1, 2005 elimination of all remaining quotas on textile and apparel imports from WTO members, Hong Kong textile and apparel exports are no longer subject to quantitative restrictions.

## **Temporary Entry**

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Most products are not subject to any Hong Kong duties or taxes. For alcohol, cigarettes and fuel, however, companies must fill out a duty waiver form, which can be obtained from Hong Kong Customs at <http://www.customs.gov.hk>.

## **Labeling and Marking Requirements**

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Non-tariff barriers such as labeling requirements, standards, etc. are minimal.

## **Prohibited and Restricted Imports**

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The import of munitions, firearms and fireworks is strictly forbidden.

## **Customs Regulations and Contact Information**

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Customs valuation is only an issue for the taxable items listed above. The tax on tobacco is by quantity: HK\$804 for every 1,000 cigarettes, and HK\$1,035 per kilogram for cigars. The tax on distilled spirits is 100 percent, wine 80 percent and beer 40 percent. The tax on petroleum products is by both volume and

value. The value is based on the bill of lading as long as it represents a reasonable market value. The tax on automobiles is based on both retail price and engine size.

For more information about Hong Kong customs regulations, please check the Hong Kong Customs and Excise Department's website at <http://www.customs.gov.hk>.

U.S. Immigration and Customs Enforcement (formerly U.S. Customs Service) maintains an office in Hong Kong. It can be contacted at:

U.S. Immigration and Customs Enforcement  
U.S. Consulate General  
26 Garden Road, Central  
Hong Kong  
Inquiry Hotline: (852) 2524-1136  
Fax: (852) 2810-6550

## Standards

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## Overview

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Hong Kong's policy, in accordance with the World Trade Organization (WTO) Agreement on Technical Barriers to Trade, is to adhere to international standards to the maximum extent possible. Hong Kong regulatory agencies adopt standards as and when necessary, and they generally avoid using standards to dictate market development or protect certain sectors of the economy.

The APEC (Asia-Pacific Economic Cooperation) Sub-Committee on Standards and Conformance (SCSC) has agreed that APEC member economies would complete the alignment of domestic standards in eight priority areas in stages by 2008. The standards included in the alignment program and Hong Kong's position as of 2003 can be found at [www.standard.gov.hk/eng/alignment.htm](http://www.standard.gov.hk/eng/alignment.htm)

Hong Kong does not have a central standards body that develops and implements domestic standards. More information on standards used in Hong Kong is available from the Standards, Regulations and Conformity Assessment Database.  
(<http://www.standard.gov.hk/standard/eng>)

The Product Standards Information Bureau (PSIB) of the Innovation and Technology Commission (ITC) represents Hong Kong in the APEC Sub-Committee on Standards and Conformance (SCSC), the International Organization for Standardization (ISO) and the Pacific Area Standards Congress (PASC). The Hong Kong Accreditation Service of ITC actively participates in the Pacific Accreditation Cooperation (PAC), Asia Pacific Laboratory Accreditation Cooperation (APLAC), International Accreditation Forum (IAF) and International Laboratory Accreditation Cooperation (ILAC). In addition, the Standards and Calibration Laboratory of ITC is a full member of the Asia Pacific Metrology Program and an Associate of the General Conference of Weights and Measures (CGPM) of the Metre Convention, while the Customs and Excise Department is a Correspondent Member of the International Organization of Legal Metrology (OIML) and a Member of the Asia Pacific Legal Metrology Forum (APLMF). The Office of the Telecommunications Authority also sends its officers to attend meetings of the International Telecommunications Union (ITU).

#### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:  
<http://www.nist.gov/notifyus/>

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<http://www.nist.gov/notifyus/>

Hong Kong has a comprehensive range of conformity assessment services including testing, calibration, certification and inspection. The majority of such services are provided by the private sector. Compliance is certified through third- party accreditation.

The Hong Kong Accreditation Service (HKAS) of the Innovation and Technology Commission (ITC) manages a program called the “Hong Kong Laboratory Accreditation Scheme (HOKLAS),” which is a program open to voluntary participation from any Hong Kong laboratory that performs objective testing and calibration falling within the scope of the Scheme and meets the HOKLAS criteria of compliance. HOKLAS has concluded mutual recognition agreements/ arrangements (MRA) with forty-eight laboratory accreditation bodies in thirty-seven countries, including the United States.

#### Mutual Recognition Agreements/Arrangements

Every effort is made to promote acceptance of test data from accredited laboratories, both internationally and locally. HOKLAS has signed the following types of mutual recognition agreements/arrangements.

HOKLAS currently has bilateral agreements with six overseas national laboratory accreditation programs – NATA of Australia, RvA of the Netherlands, IANZ of New Zealand, SAC of Singapore, UKAS of United Kingdom and A2LA of the United States.

HOKLAS also has a bilateral group agreement with the European Co-operation for Accreditation (EA). This agreement with the EA multilateral agreement group in effect means HOKLAS accepts accreditation from the following national programs – BMwA of Austria, BKO/OBE and BELTEST of Belgium, CAI of the Czech Republic, DANAK of Denmark, FINAS of Finland, COFRAC of France, DAR of Germany (including DACH, DAP, DASMIN, DATECH and DKD), NAB of Ireland, ISRAC of Israel, SIT and SINAL of Italy, LA of Lithuania, RvA of the Netherlands, NA of Norway, IPQ of Portugal, SNAS of Slovakia, ENAC of Spain, SWEDAC of Sweden, SAS of Switzerland and UKAS of the United Kingdom.

As a member of the Asian Pacific Laboratory Accreditation Co-operation (APLAC) Multilateral Mutual Recognition Agreement, HOKLAS accepts accreditation from NATA of Australia, SCC of Canada, NABL of India, KAN of Indonesia, JAB and IA Japan of Japan, KOLAS of Korea, IANZ of New Zealand, CNAL of the People’s Republic of Mainland China, SAC-SINGLAS of Singapore, CNLA of Taiwan, VILAS/STAMEQ of Vietnam and A2LA, ICBO and NVLAP of the United States.

HOKLAS is one of the signatories of the International Laboratory Accreditation Cooperation (ILAC) Multilateral Mutual Recognition Agreement signed in Washington, D.C. on November 2, 2000, at the General Assembly of the ILAC. This arrangement, which involves 33 accreditation bodies from 26 countries, authorizes signatory countries to accept test results issued by a laboratory that is accredited by any of the other signatory countries of the Arrangement.

The following areas have special regulations, standards and conformity assessment mechanisms: animals and plants (sanitary and phytosanitary); boilers and pressure vessels, building materials, chemicals (pesticides); consumer goods, drugs and medical devices, electrical products, energy, environment, food, information technology equipment, radioactive substances and irradiating apparatus, shipping safety, toys and

children's products, and transport equipment. Please visit the following website for specific product regulations and standards:

<http://www.standard.gov.hk/standard/eng/database.htm>.

## Accreditation

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The Hong Kong Accreditation Service (HKAS), a government organization set up in 1998, provides accreditation for laboratories, certification bodies and inspection bodies. HKAS operates three accreditation programs - Hong Kong Laboratory Accreditation Scheme (HOKLAS) for laboratories, Hong Kong Certification Body Accreditation Scheme (HKCAS) for certification bodies, and Hong Kong Inspection Body Accreditation Scheme (HKIAS) for inspection bodies. HOKLAS was launched in 1985, HKCAS was launched in 1998, and HKIAS was launched in 1999. Participation in these programs is voluntary.

HKAS participates in a number of mutual recognition arrangements. It is a member of the International Accreditation Forum (IAF), International Laboratory Accreditation Cooperation (ILAC), Pacific Accreditation Cooperation (PAC) and Asia Pacific Laboratory Accreditation Cooperation (APLAC).

Contact information for HKAS:

Hong Kong Accreditation Service

Quality Services Division

Innovation and Technology Commission

36/F, Immigration Tower

7 Gloucester Road, Wan Chai

Hong Kong

Tel: (852) 2829-4840

Fax: (852) 2824-1302

Email: [hkas@itc.gov.hk](mailto:hkas@itc.gov.hk)

Website: [www.info.gov.hk/itc/eng/quality/hkas](http://www.info.gov.hk/itc/eng/quality/hkas)

## Publication of Technical Regulations

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Technical regulations are proposed and passed by respective relevant government departments. There may or may not be public consultation before each regulation is passed, depending on the specifics of that particular technical regulation.

Information on Hong Kong's technical regulations can be obtained from the following website: <http://www.standard.gov.hk/standard/eng/alignment.htm>.

Technical regulations are published in the Government of the Hong Kong Special Administrative Region Gazette.

For information about a subscription to the Government of the Hong Kong Special Administrative Region Gazette, contact:

Information Officer, Publications Sales Section  
Information Services Department  
Email: [puborder@isd.gov.hk](mailto:puborder@isd.gov.hk)  
Website: [www.isd.gov.hk/eng/publication.htm#gaze](http://www.isd.gov.hk/eng/publication.htm#gaze)

## Labeling and Marking

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Food products, such as milk, pre-packaged food, beverages, and frozen confections, need to be legibly marked or labeled in either the English or Chinese language, or in both languages. The label/markings need to include the full company name and address or details of the registered or principal office of the manufacturer or packer. It also must have the food's name or designation, list of ingredients, composition or contents, with the net weight or net volume, and indication of "Best before" or "Use by" date. Statements of special conditions for storage or instructions also need to be legibly marked or labeled.

Pharmaceuticals and over-the-counter (OTC) drugs must have indications of dosage and frequency on the label in both Chinese and English.

## Contacts

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Hong Kong central contact point:

Innovation and Technology Commission  
Executive Administrator, Hong Kong  
Accreditation Service  
36/F, Immigration Tower  
7 Gloucester Road, Wan Chai  
Hong Kong  
Tel: (852) 2829-4867  
Fax: (852) 2583-9371, 2824-1302  
Email: [psib@itc.gov.hk](mailto:psib@itc.gov.hk)  
Website: [www.info.gov.hk/itc/psis](http://www.info.gov.hk/itc/psis)

For regulatory contact points, please refer to the following website:  
<http://www.itsd.gov.hk/standard/eng/contact.htm>.

Point of contact at the Commercial Service for standards issues:

Fanny Chau  
Email: [fanny.chau@mail.doc.gov](mailto:fanny.chau@mail.doc.gov)  
Tel: (852) 2521-3721; Fax: (852) 2845-9800

## Trade Agreements

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Hong Kong is a founding member of the World Trade Organization (WTO) as well as a member of the Asia-Pacific Economic Cooperation (APEC).

With Mainland China's accession to the WTO, Hong Kong is well positioned to play a key role for U.S. firms wishing to expand exports to one of the world's fastest-growing markets. Hong Kong is a trading hub for Mainland China and the region; its trading firms are experts at promoting U.S. products and services in Mainland China. Similarities in linguistic and cultural traditions have enabled Hong Kong traders to maximize opportunities for U.S. firms, and in particular for small and medium-sized enterprises and first-time exporters.

On June 29, 2003, Hong Kong and Mainland China signed the Closer Economic Partnership Arrangement (CEPA), a free trade agreement granting Hong Kong's manufacturers export to Mainland China free of Mainland Chinese tariffs and granting Hong Kong's service suppliers preferential access to the Mainland Chinese market. CEPA was implemented on January 1, 2004, providing tariff-free treatment for Hong Kong-origin goods in 374 categories as well as preferential access to 18 Mainland service sectors. Preferential access for five types of value-added telecommunications services was implemented on October 1, 2003.

Hong Kong and Mainland China signed the second phase of CEPA on August 27, 2004, to liberalize further trade in goods and services. At that time, Hong Kong-origin goods in 529 additional categories could be exported to Mainland China tariff-free; in January, 2006, another 184 products enjoyed this privilege.

The third phase of CEPA took effect in 2006. As a result, all Hong Kong-origin goods in 27 sectors (e.g. logistics and distribution) enjoy preferential treatment to Mainland China.

In order to qualify as a Hong Kong company under CEPA, the company, including a subsidiary of a foreign company, must incorporate in Hong Kong, have been engaged in substantial business operation here for more than three years, and employ at least half its staff in Hong Kong. In addition, foreign companies that have acquired or merged with a Hong Kong company on or after June 29, 2003, qualify after one year of operation as a Hong Kong company.

## Web Resources

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Hong Kong Accreditation Service: <http://www.info.gov.hk/itc/eng/quality/hksa>

Hong Kong Customs and Excise Department: <http://www.info.gov.hk/customs>

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## Chapter 6: Investment Climate

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#### Openness to Foreign Investment

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Hong Kong pursues a free market philosophy, and there is minimum government interference in the economy. The Hong Kong Government welcomes foreign investment. It neither offers special incentives nor imposes disincentives for foreign investors. Hong Kong's well-established rule of law is applied consistently and without discrimination. There is no distinction in law or practice between investments by foreign-controlled companies and those controlled by local interests. Hong Kong is a member of the World Trade Organization in its own right and a separate customs territory. Hong Kong is a duty free port, except for a small number of tariffs on products such as cigarettes and alcohol. There are no quotas or dumping laws.

Foreign firms and individuals are allowed freely to incorporate their operations in Hong Kong, register branches of foreign operations, and set up representative offices without encountering discrimination or undue regulation. There is no restriction on the ownership of such operations. Company directors are not required to be citizens of, or resident in, Hong Kong. Reporting requirements are straightforward and not onerous.

Hong Kong's extensive body of commercial and company law generally follows that of the United Kingdom, including the common law and rules of equity. Most statutory law is made locally. The local court system provides for effective enforcement of contracts, dispute settlement, and protection of rights. Formalities are minimal in company

incorporation and business registration. Foreign and domestic companies register under the same rules and are subject to the same set of business regulations.

The Hong Kong Government's InvestHK encourages inward investment as a means of introducing new or improved products, processes, designs and management techniques. U.S. and other foreign firms can participate in government financed and subsidized research and development programs on a national treatment basis.

There is no capital gains tax, nor are there withholding taxes on dividends and royalties. Profits can be freely converted and remitted. Foreign-owned and Hong Kong owned firms are taxed at the same rate, 17.5 percent of profits. There are no preferential or discriminatory export and import policies that affect foreign investors. There are no direct subsidies to domestic industries.

There are no disincentives to foreign investment such as quotas, bonds, deposits, or other similar regulations. The Hong Kong Code on Takeovers and Mergers (1981) sets out general principles for acceptable standards of commercial behavior.

According to Hong Kong Government statistics, there were 3,845 regional operations of overseas companies in Hong Kong in 2006. The Government defines regional operations as: regional headquarters that control the operation of other branches in the region without frequent referrals to the parent company outside Hong Kong; and regional offices as offices that coordinate operations elsewhere in the region with frequent referrals to the parent company outside Hong Kong or a regional headquarters. The U.S. has the largest number of regional headquarters and offices in Hong Kong (889 companies), followed by Japan (731 companies) and the UK (337 companies). The major lines of business of the regional headquarters include wholesale/retail, import/export, finance and banking, manufacturing, and transport and related services.

The Hong Kong Government owns all land, granting long-term leases without transferring title. Local and foreign leaseholders are treated equally. The Government plays a significant role in the housing market: about 50 percent of homes in Hong Kong are rented from the Government or purchased with government assistance at below market rates.

With few exceptions, the Hong Kong Government does not attempt to limit the activities of foreign investors either in specified projects or sectors. Foreign investment in Hong Kong flows freely into the industrial sector as well as into services, franchises, restaurants, the entertainment industry, and the ownership of property, both residential and commercial. The telecommunications services market has been fully liberalized since January 1, 2003.

The exceptions to the Hong Kong Government's open foreign investment policy are:

Broadcasting - Voting control of free-to-air television stations by non-residents is limited to 49 percent. There are also residency requirements for the directors of broadcasting companies.

Legal Services - Foreign lawyers are able to practice foreign and international law in Hong Kong. Foreign lawyers can apply to take the Hong Kong Bar Examination and, if successful, practice Hong Kong law. Foreign law firms may not hire local lawyers to

advise on Hong Kong law, but may themselves become "local" firms after satisfying certain residency and other requirements. They may thereafter hire local attorneys, but must do so on a 1:1 basis with the foreign lawyers. They also can form associations with local law firms.

Hong Kong has a free trade agreement with Mainland China, referred to as CEPA, or the Closer Economic Partnership Arrangement. CEPA provides tariff-free export to Mainland China of Hong Kong-origin goods and preferential access for specific services sectors. The agreement was originally implemented at the beginning of 2004 and has been expanded twice since then. When the third phase was implemented at the beginning of 2006, all Hong Kong-origin products became eligible for tariff-free access to Mainland China. Service providers in 27 sectors (e.g., logistics, distribution) also now enjoy preferential treatment on the mainland. U.S. and other foreign firms with a significant presence in Hong Kong are eligible to take advantage of CEPA concessions to enter the mainland market.

## **Conversion and Transfer Policies**

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There are no restrictions on conversion and inward or outward transfer of funds for any purpose. The Hong Kong dollar is a freely convertible currency that, since late 1983, has been linked via currency board to the U.S. Dollar at an exchange rate of approximately HKD7.8 = US\$ 1. There is no allocation of foreign exchange.

## **Expropriation and Compensation**

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The U.S. Consulate General is not aware of any expropriation actions in the recent past. Expropriation of private property may occur if it is clearly in the public interest, but only for well-defined purposes such as implementation of public works projects. If this is the case, expropriations are to be conducted through negotiations, in a non-discriminatory manner in accordance with established principles of international law. Due process and transparency are to be observed. Investors in and lenders to expropriated entities are to receive prompt, adequate, and effective compensation. Property may be acquired under the State Land Resumption Ordinance, the Land Acquisition Ordinance, the Mass Transit Railway (Land Resumption and Related Provisions) Ordinance or the Roads Ordinance. These ordinances provide for payment of compensation. If agreement cannot be reached on the amount payable, either party can refer the claim to the Land Tribunal.

## **Dispute Settlement**

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The U.S. Consulate General is not aware of any investor-state disputes in recent years involving U.S. or other foreign investors or contractors and the Hong Kong Government. The Hong Kong Department of Justice is also not aware of any such disputes. Private investment disputes are normally handled in the courts or via private negotiation.

Alternatively, disputes may be referred to the Hong Kong International Arbitration Center.

The Hong Kong Government accepts international arbitration of investment disputes between itself and investors. Following reversion to Chinese sovereignty on July 1, 1997, Hong Kong applies provisions of the International Center for the Settlement of Investment Disputes (ICSID), known as the Washington Convention, and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Hong Kong has also adopted the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration.

Hong Kong and Mainland China signed a Memorandum of Understanding in June 1999 on an arrangement parallel to the New York Convention for the reciprocal enforcement of arbitral awards, since the New York Convention, being an international agreement, is no longer applicable to the enforcement of arbitral awards between Hong Kong and Mainland China.

Hong Kong's legal system is firmly based on the rule of law and the independence of the judiciary. Courts of justice in Hong Kong include the Court of Final Appeal, the High Court (composed of the Court of Appeal and the Court of First Instance), the District Court, the Magistrate's Courts, the Coroner's Court, and the Juvenile Court. There are also a Lands Tribunal, Labor Tribunal, and other statutory tribunals.

#### **Performance Requirements and Incentives**

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Consistent with its non-interventionist economic philosophy, Hong Kong imposes no export performance or local content requirements as a condition for establishing, maintaining or expanding a foreign investment. Hong Kong offers no special privileges to attract foreign investment. There are no requirements that Hong Kong residents own shares, that foreign equity be reduced over time, or that technology be transferred on certain terms.

All of Hong Kong is a duty-free zone. Subject to non-discriminatory application of excise taxes and restricted entry in some sectors, as noted above, local and foreign firms are free to take advantage of investment opportunities as they arise.

#### **Right to Private Ownership and Establishment**

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Hong Kong law and regulations provide for the right of foreign and domestic private entities to establish, own and dispose of interests of business enterprises. Foreign investors are allowed, except for the sectors noted above, to engage in all lawful forms of remunerative activity. The Hong Kong Government does not generally engage directly in business activity via public enterprises. Business privileges, franchises and land development rights are granted on the basis of competitive equality.

Hong Kong's commercial and company laws provide for effective enforcement of contracts and protection of corporate rights. Hong Kong has filed its notice of compliance with the trade-related intellectual property requirements of the World Trade Organization. The Intellectual Property Department, which includes the Trademarks and Patents Registries, is the focal point for the development of Hong Kong's intellectual property regime. The Customs and Excise Department is the principal enforcement agency for intellectual property rights (IPR). Hong Kong has acceded to the Paris Convention for the Protection of Industrial Property, the Bern Convention for the Protection of Literary and Artistic Works, and the Geneva and Paris Universal Copyright Conventions. Hong Kong also continues to participate in the World Intellectual Property Organization, as part of Mainland China's delegation.

The Hong Kong Government devotes significant attention and resources to IPR enforcement. Implementation of laws passed in recent years, including aggressive raids at the retail level, has significantly reduced illegal production and retail sales of copyright and trademark protected products. The Hong Kong courts have imposed longer jail terms for violations of Hong Kong's copyright ordinance. The Hong Kong Government has conducted public education efforts to encourage respect for intellectual property rights. Nevertheless, pirated and counterfeit products remain available at the retail level throughout Hong Kong. In addition, end-use piracy of software and textbooks, the rapid growth of peer-to-peer downloading via the Internet, and the illicit importation and transshipment of pirated and counterfeit goods, including optical discs and name brand handbags and apparel from Mainland China and elsewhere in the region, are continuing problems. Hong Kong authorities have taken steps to address these problems by: continued monitoring of suspect shipments at points of entry; establishing a task force to monitor and crack down on peer-to-peer (P2P) piracy over the Internet in December 2004; prosecuting software end-use piracy, and proposing a new Copyright Amendment. The P2P task force made its first arrest for distributing unauthorized movies via this technology in January 2005. The court sentenced the offender to three months' imprisonment in November 2005. In December 2006, the Court of Appeal upheld this conviction and sentence. Another vulnerability is that health authorities continue to permit the registration of generic drugs for marketing without regard to whether these products infringe on valid patents. Despite extensive consultations with industry, no progress has been made on closing this loophole.

The Copyright Ordinance protects any original copyright work created or published by any person anywhere in the world. It provides for rental rights for sound recordings and computer programs but not films. It provides for enhanced penalty provisions against copyright piracy and additional legal tools to facilitate enforcement. It decriminalizes parallel imports of copyrighted products one year after their release anywhere in the world, but maintains civil penalties. In September 2004, Hong Kong implemented an amendment to the Copyright Ordinance that facilitates enforcement against and prosecution of the illicit reproduction of printed works. The amendment, which will remain in effect until July 2007, so as to give the lawmakers more time to examine the bill, also maintains criminal liability for business-related end-use piracy of computer programs, movies, television dramas, and musical recordings while continuing to exclude the business-related end-use piracy of printed works from criminal liability. In addition, the government introduced a public consultation in December 2006 on making

unauthorized downloading of copyrighted materials a criminal offence. The public will gather opinions of the public and industry stakeholders to decide whether Online Service Providers should be held liable for the online piracy activities of their customers. The public consultation period is scheduled to conclude in April 2007.

The Patent Ordinance allows for granting of an independent patent in Hong Kong based on the patents granted by the UK and the Chinese Patent Offices. The patent granted in Hong Kong is independent and capable of being tested for validity, rectified, amended, revoked and enforced in Hong Kong courts.

The Registered Design Ordinance is modeled on the EU design registration system, with certain modifications. To be registered, a design must be new. The system requires no substantive examination. Protection is for an initial period of five years, and may be extended for four periods of five years each, up to a maximum of 25 years.

Hong Kong's trademark law is TRIPS-compatible and allows for registration of trademarks relating to services. All trademark registrations originally filed in Hong Kong are valid for seven years and renewable for 14-year periods. Proprietors of trademarks registered elsewhere must apply anew and satisfy all requirements of Hong Kong law. When evidence of use is required, such use must have been in Hong Kong.

Hong Kong has no specific ordinance to cover trade secrets. Under the Trade Description Ordinance, however, the Government has the duty to protect information being disclosed to other parties. The Trade Description Ordinance prohibits false trade descriptions, forged trademarks and misstatements in respect of goods supplied in the course of trade.

## **Transparency of Regulatory System**

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Hong Kong's body of law and regulation recognizes the value of competition in economic endeavor. Tax, labor, health and safety and other laws and policies avoid distortions or impediments to the efficient mobilization and allocation of investment. Bureaucratic procedures and "red tape" are held to a minimum and are equally transparent to local and foreign investors. Hong Kong does not have an anti-trust law. Hong Kong has, however, set up a Competition Policy Review Committee that issued recommendations in June 2006. These recommendations include legislation to regulate price-fixing, bid-rigging, market allocation, sales and production quotas, joint boycotts, unfair or discriminatory standards and the abuse of dominant market position. The government began a public consultation period, which is scheduled to end on February 5, 2007. Currently, only the telecommunications and, to a lesser degree, the broadcasting sectors have competition regulations in place. Certain sectors of the economy are dominated by monopolies or cartels, not all of which are regulated by the Hong Kong Government. These entities do not discriminate against U.S. goods or services, but they can use their market position to block effective competition.

There are no impediments to the free flow of financial resources. Non-interventionist economic policies, complete freedom of capital movement and a well-understood regulatory and legal environment have greatly facilitated Hong Kong's role as a regional and international financial center. Hong Kong's has one of the most active foreign exchange markets in Asia.

Hong Kong has a three-tier system of deposit-taking institutions: licensed banks, restricted license banks, and deposit-taking companies. Only licensed banks can offer current (checking) or savings accounts. At the end of November 2006, Hong Kong had 137 licensed banks, 31 restricted licensed banks, 33 deposit-taking institutions, and 85 representative offices. The Hong Kong & Shanghai Banking Corporation (HSBC) is Hong Kong's largest banking group. With its majority-owned subsidiary Hang Seng Bank, and 263 branches, the group controls more than 31.4 percent of Hong Kong dollar deposits. The Bank of China (Hong Kong) is the second-largest banking group (280 branches), and controls 15.7 percent of Hong Kong dollar deposits. Thirty-five American "authorized financial institutions" operate in Hong Kong. U.S. banks licensed in Hong Kong are listed in Chapter 7 – U.S. Banks and Local Correspondent Banks. Most banks in Hong Kong maintain U.S. correspondent relationships.

Hong Kong's five largest banks, in terms of total assets (2005), are as follows:

Rank	Institution	Total Assets (US\$ Billion)
1	Hong Kong & Shanghai Banking Corp (HSBC)	342.6
2	Bank of China (Hong Kong)	105.4
3	Hang Seng Bank Ltd.	74.5
4	Standard Charter Bank, Hong Kong Branch	43.2
5	Bank of East Asia, Ltd.	30.6

Sources: Companies' annual reports

Credit in Hong Kong is allocated strictly on market terms and is available to foreign investors on a non-discriminatory basis. The private sector has access to the full spectrum of credit instruments as provided by Hong Kong's banking and financial system. Legal, regulatory, and accounting systems are transparent and consistent with international norms. The Hong Kong Monetary Authority (HKMA) functions as a de facto central bank. It is responsible for maintaining the stability of the banking system and managing the Exchange Fund backing Hong Kong's currency. The HKMA, with the assistance of the banking sector, has upgraded Hong Kong's financial market

infrastructure. Real Time Gross Settlement helps minimize risks in the payment system and brings Hong Kong in line with international standards. The Hong Kong Mortgage Corporation (HKMC) promotes the development of the secondary mortgage market in Hong Kong. The HKMC is 100 percent owned by the Government through the Exchange Fund. The HKMC purchases residential mortgage loans for its own retained portfolio and also repackages mortgages into mortgage-backed securities for sale. In 2005, the HKMC's outstanding amount of debt totaled at US\$2.8 billion.

On September 26, 2006, a Deposit Protection Scheme began operations. Depositors are now protected up to a maximum of HK\$100,000 (US\$12,820) per bank. While Hong Kong requires locally licensed banks to participate, overseas-incorporated banks may apply for an exemption if a comparable scheme in their home jurisdiction covers deposits taken in by its Hong Kong branches. In 2004, the Hong Kong Monetary Authority (HKMA) and Dun & Bradstreet (HK) Ltd. (D&B) jointly launched a Commercial Credit Reference Agency (CCRA) to collate information about the indebtedness and credit history of small and medium-sized enterprises (SMEs) and make such information available to members of the Hong Kong Association of Banks (HKAB) and the Hong Kong Association of Deposit Taking Companies.

Under the Insurance Companies Ordinance, insurance companies are authorized by the Insurance Authority to transact business in Hong Kong. Hong Kong has the highest number of authorized insurance companies in Asia. As of October 2006, there were 181 authorized companies. Of these, 90 were foreign companies from 22 countries. A number of the world's top insurance companies in terms of assets have branch offices or subsidiaries in Hong Kong.

With a total market capitalization of US\$1,059 billion and 1,132 listed firms at year-end 2005, Hong Kong's stock exchange ranked second in Asia after Tokyo, and ninth in the world in terms of capitalization. Hong Kong Exchanges and Clearing Limited (HKEx), a listed company, operates the stock and futures exchanges. The Securities and Futures Commission, an independent statutory body outside the civil service, has licensing and supervisory powers to ensure the integrity of markets and to protect investors.

In April 2003, the Government implemented a major modernization of the legal framework for Hong Kong's securities market designed to upgrade transparency and corporate governance, boost regulators' enforcement powers, and improve investor protections. To enhance market competitiveness, HKEx in the same month removed the rule on minimum brokerage commission rates for stock and futures transactions.

There are no discriminatory legal constraints to foreign securities firms establishing in Hong Kong via branching, acquisition, or subsidiaries. In practice, foreign firms typically establish in Hong Kong as subsidiaries. Rules governing operations are the same, irrespective of ownership. Portfolio investment decisions are left to the private sector. There are no laws or regulations that specifically authorize private firms to adopt articles of incorporation/association that limit or prohibit foreign investment, participation, or control.

The stock exchange plays a significant role in raising capital for Chinese state-owned enterprises. Chinese state enterprises raise equity (through the issuance of so-called "H" shares) in Hong Kong provided they meet Hong Kong regulatory and accounting requirements. These "H" shares are denominated in Renminbi, but must be purchased

in Hong Kong Dollars. In 2005, a total of 119 Chinese enterprises had "H" share listings on the stock exchange, with market capitalization of US\$158.7 billion.

Hong Kong has made a concerted effort to develop a local debt market with the Exchange Fund bills and notes program. Maturities now extend to ten years. Hong Kong Dollar debt (public and private) has increased gradually, from US\$3.46 billion at the end of 1989 to US\$92.7 billion by the end-September of 2006. Regional infrastructure financing requirements and increasing investor demand are projected to stimulate further development of the local debt market. In May 2004, for the first time, Hong Kong issued bonds securitizing the revenues from Government tunnels and bridges. In June 2004, the governmental Hong Kong Mortgage Corporation established a US\$2.6 billion retail bond program. In July 2004, the Hong Kong Government issued its first sovereign bonds totaling US\$2.6 billion to raise cash for its public works program.

The Hong Kong Government requires workers and employers to contribute to retirement funds under the Mandatory Provident Fund (MPF) scheme. Contributions are expected to channel US\$3-4 billion per year into various investment vehicles. By the end of September 2006, the net asset values of MPF funds amounted to US\$23.4 billion.

The Exchange Fund Investment Limited (EFIL), established by the Government to dispose of the stock portfolio it purchased during the Asian Financial Crisis, completed its operations in January 2003. EFIL disposed of the stocks in the form of a mutual fund, the Tracker Fund of Hong Kong (TraHK). The Government decided to retain a portion of the stocks (worth about US\$410 million) as a long-term investment. The HKMA is responsible for the management of these stocks. TraHK is traded on the stock exchange.

## **Political Violence**

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Hong Kong is politically stable. Demonstrations are almost always peaceful. During the Sixth Ministerial Meeting of the World Trade Organization in December 2005, there were a number of incidents and arrests involving demonstrators. Otherwise, the U.S. Consulate General is not aware of any incidents involving politically motivated damage to projects or installations.

## **Corruption**

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Hong Kong has an excellent track record in combating corruption. U.S. firms have not identified corruption as an obstacle to foreign direct investment. The Independent Commission Against Corruption (ICAC) is responsible for combating corruption. The ICAC is independent of the public service and the ICAC Commissioner is responsible directly to the Chief Executive. A bribe to a foreign official is a criminal act, as is the giving or accepting of bribes, for both private individuals and government employees. Penalties are stiff. For example, a civil servant who solicits or accepts any advantage without special permission of the Government can receive one year's imprisonment and a HK\$100,000 fine if convicted. Individuals in both the private and public sector can

receive up to 7 years imprisonment and a HK\$500,000 fine for offering, soliciting or accepting a benefit for performance or non-performance of an official duty.

## **Bilateral Investment Agreements**

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Hong Kong is negotiating a series of bilateral investment agreements -- the Hong Kong Government calls them "Investment Promotion and Protection Agreements" -- with major foreign investors. To date, Hong Kong has signed agreements with Australia, Austria, Belgo-Luxembourg Economic Union, Denmark, France, Germany, Italy, Japan, Korea, the Netherlands, New Zealand, Sweden, Switzerland, Thailand and the United Kingdom. The Hong Kong Government has initialed agreements with Canada and Vietnam. It is negotiating agreements with Singapore and Thailand. All such agreements are based on a model text approved by Mainland China through the Sino-British Joint Liaison Group. The United States and Hong Kong held talks on a bilateral investment agreement in the late 1990s, but certain differences could not be resolved and negotiations were suspended. U.S. firms, however, are not at a competitive or legal disadvantage since Hong Kong's market is open and its legal system impartial.

## **OPIC and Other Investment Insurance Programs**

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Overseas Private Investment Corporation (OPIC) coverage is not available in Hong Kong. Hong Kong is a member of the World Bank Group's Multilateral Investment Guarantee Agency (MIGA).

## **Labor**

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In the 1980s and much of the 1990s, Hong Kong's unemployment rate hovered around two percent. Reflecting structural changes in the local economy and weak global economic conditions, the unemployment rate rose to a record level of 8.3 percent in May 2003. The job market has improved gradually since then, with the unemployment rate standing at 4.4 percent in November 2006. The Employees Retraining Board provides skills retraining for local employees to cope with ongoing structural change in the economy.

To address a shortage of highly skilled technical and financial professionals, the Hong Kong Government has made efforts to attract qualified foreign and mainland Chinese workers. As of July 2003, conditions for admitting mainland Chinese for employment were eased and aligned with those applicable to foreign nationals.

In 2005, membership in Hong Kong's 686 registered unions totaled 655,159, a participation rate of about 20.6 percent. Hong Kong has implemented 41 conventions of the International Labor Organization in full and 18 others with modifications.

Local law provides for the right of association and the right of workers to establish and join organizations of their own choosing. The Government does not discourage or impede the formation of unions. Workers who allege discrimination against unions have the right to have their cases heard by the Labor Relations Tribunal. Although legislation does not prohibit strikes, in practice most workers must sign employment contracts that state that walking off the job is a breach of contract and can lead to summary dismissal. Collective bargaining is legal in Hong Kong, but there is no obligation on employers to engage in it. In practice, collective bargaining is not widely used. For more information on labor regulations in Hong Kong, please check the following website: <http://www.justice.gov.hk/home.htm> (click on Chapter 57 "Employment Ordinance").

## **Foreign-Trade Zones/Free Ports**

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Hong Kong is a free port without foreign trade zones.

Hong Kong's modern and efficient infrastructure supports Hong Kong's role as a trade entrepot and regional financial and services center. Rapid growth has placed severe demands on that infrastructure, giving rise to plans for major new investments, particularly in transportation and shipping facilities, over the next few years. Significant elements include a planned expansion of container terminal facilities, additional roadway and railway networks, major residential/commercial developments, community facilities, and environmental protection projects. In May 2004, the Legislative Council passed a bill allowing the Hong Kong Government to issue US\$2.6 billion bonds to fund infrastructure or other investment projects.

**Airport:** In the first 8 months of 2006 Hong Kong's international airport at Chek Lap Kok handled daily an average of 760 flights, 121,444 passengers, and more than 9,329 tons of cargo. Seventy-nine international airlines operated some 5,500 scheduled flights per week between Hong Kong and 150 cities around the world. Hong Kong is a major gateway to Mainland China. There are direct flights from Hong Kong to nearly 40 mainland cities. The demand for services to Mainland China is growing. The Hong Kong airport is in the world's top ranks in terms of passenger and cargo throughput.

With 24-hour operations, two all-weather runways, an ability to cater to all types of commercial aircraft, and high-speed transport links from the terminal to the city, the airport is well positioned to meet Hong Kong's aviation needs in the coming decades.

The airport has a multi-modal marine cargo terminal that provides vessel services between various ports in the Pearl River Delta and the airport. One of the air cargo handling facilities, Asia Airfreight Terminal, is scheduled to triple its air cargo handling capacity in December 2006 when it opens a new terminal. To strengthen Hong Kong's position as the economic gateway of Mainland China and Asia and to boost revenues, the Airport Authority (AA) is building SkyCity, which will include construction of a world-class exhibition center, Asia World-Expo; SkyPlaza, an office and retail complex; SkyPier, a cross-boundary ferry terminal; and a nine-hole golf course. In December 2006, AA held an open tender to build its third cargo terminal. AA anticipates that the tender process will be completed in 2008 with the new facility beginning operations around 2011.

The organization responsible for safety oversight, the Civil Aviation Department, plans to introduce satellite-based Communications, Navigation, Surveillance/Air Traffic Management (CNS/ATM) Systems. The new equipment will enhance flight safety and efficiency as well as maintain Hong Kong's status as a center of international and regional aviation. The project will take 15 years.

**Shipping and Port Activities:** Hong Kong enjoys one of the best natural deep-water ports on the Chinese coast. With continued high economic growth and industrialization in Mainland China, the development of deep-water ports at Yantian and Gaolan in southern China should complement Hong Kong's facilities over the medium term. Over the longer term, the Hong Kong port will face increased competition from those ports and from Shanghai, which are improving their service efficiency.

Hong Kong's container port is one of the world's busiest. In the first 8 months of 2006, Hong Kong's nine privately-operated container terminals and mid-stream operators handled 19.4 million twenty-foot equivalent units (TEUs) of cargo. Some 80 international shipping lines are providing over 500 container liner services per week connecting to over 500 destinations worldwide.

Hong Kong's container terminal handling capacity is 18 million twenty-foot equivalent units (TEUs) a year, which will be able to cope with the forecast growth in demand to the end of this decade. The container terminals handle about 67 percent of the port's total throughput. The river trade terminal, mid-stream operators and other facilities handle the remaining 33 percent. The Hong Kong Government commissioned a study on "Hong Kong Port - Master Plan 2020" to formulate a competitive, sustainable strategy and a master plan for Hong Kong's port development, including the location of a new container terminal and related infrastructure, for the coming twenty years. The study has been presented to industry and the Legislative Council for consultation. Taking into account the comments received, the Government is working out an action plan to implement the recommendations of the study.

**Roads and Railroads:** Hong Kong's roads have one of the highest vehicle densities in the world. In September 2006, there were 549,525 licensed vehicles and about 1,955 kilometers of roads, or 281 vehicles per kilometer of road. This high vehicle density, combined with difficult terrain and high density building development, poses a constant challenge to transport planning, road construction and maintenance. To cope with worsening traffic congestion, largely due to the rapid growth in the number of private cars, the Highways Department has launched an extensive road construction program. The Highways Department has budgeted US\$5.4 billion for road projects between 2005/2006 and 2010/2011. Hong Kong will also build a bridge from the Western tip of Lantau Island to Macau and Zhuhai, paving the way for accelerated development of the Western Pearl River Delta region.

Two railway corporations manage Hong Kong's metro and rail systems: the Mass Transit Railway Corporation (MTRC) and the Kowloon-Canton Railway Corporation (KCRC). The MTRC operates a six-line metro system, including a line to the airport. The KCRC operates lines that extend further into the New Territories and to the Hong Kong/Mainland border. The oldest track is a 34-kilometer rail line that services towns in the northeastern New Territories and also provides border crossing and freight service into Mainland China. In addition, KCRC also operates a Light Rail Transit System in the

northwestern New Territories. In December 2003, KCRC opened the West Rail, which is a 30.5 kilometer twin-track passenger railway with nine stations running between the northwestern New Territories and urban Kowloon. The Disneyland Resort Line of the MTRC =opened in August 2005 to serve Hong Kong Disneyland.

In July 2006, the government introduced a bill to propose the merger of the two railway companies. Subject to legislative approval, the whole merger process will take about one year to complete.

Hong Kong is working on a massive expansion of its rail system. Investment in Hong Kong's domestic and cross-boundary rail networks in the next decade is expected to exceed in scale the US\$20 billion spent on the transportation facilities associated with the airport. Most of the projects involve linking existing lines or creating extensions to new points of interest. One project will create a second border crossing into Mainland China at Lok Ma Chau, with a rail line that will extend over a new bridge and link up with the Shenzhen Metro. The MTRC is building a line that will extend to the southern part of Hong Kong Island. The KCRC plans to construct a freight line connecting Kwai Chung Port with the Lo Wu border crossing.

## Foreign Direct Investment Statistics

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Table 1: Position of Inward Foreign Direct Investment by Major Investor Country/Territory, as at end of 2004.

Country	US\$ Billion	% Share of Total
China	130.8	39.7
Netherlands	39.4	12.0
United States	31.2	9.5
Bermuda	27.0	8.2
British Virgin Islands	23.0	7.0
Japan	19.0	5.8
Singapore	11.2	3.4
United Kingdom	9.0	2.7
Cayman Islands	5.1	1.6
Canada	3.7	1.1
Others	30.2	9.2
TOTAL	329.5	100.0

Source: Hong Kong Census and Statistics Department

Note 1: Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.

Note 2: US\$1 = HK\$7.8

Table 2: Position of Inward Foreign Direct Investment by Major Economic Activity, as at end of 2004.

	US\$ Billion	% of Total
Investment holdings, real estate and various business services	154.0	46.7
Wholesale, retail and import/export trades	64.2	19.5
Banks and deposit-taking companies	48.3	14.7
Financial institutions other than banks and deposit-taking companies	18.1	5.5
Insurance	10.1	3.1
Transport and related services	8.6	2.6
Manufacturing	7.3	2.2
Communications	4.7	1.4
Restaurants and hotels	3.3	1.0
Construction	2.9	0.9
Other activities	7.9	2.4
<b>TOTAL</b>	<b>329.5</b>	<b>100.0</b>

Source: Hong Kong Census and Statistics Department

Note: Excluding inward direct investment from offshore financial centers, which were originally from Hong Kong.

Table 3: Position of Outward Foreign Direct Investment by Major Resident Country/Territory, as at end of 2004.

<b>Country</b>	<b>US\$ Billion</b>	<b>% Share of Total</b>
China	155.3	55.5
British Virgin Islands	71.1	25.4
Bermuda	8.7	3.1
United Kingdom	7.1	2.5
Japan	5.4	1.9
Singapore	4.4	1.6
Thailand	3.2	1.1
Unites States	2.9	1.0
Malaysia	2.8	1.0
Taiwan	1.9	0.7
Others	16.9	6.0
<b>TOTAL</b>	<b>279.8</b>	<b>100.0</b>

Source: Hong Kong Census and Statistics Department

Note: Excluding outward direct investment of offshore financial centers which were channeled back to Hong Kong.

Table 4: Position of Outward Foreign Direct Investment by Major Economic Activity, as at end of 2004.

	US\$ Billion	% of Total
Investment holdings, real estate and various business services	133.6	47.8
Wholesale, retail and import/export trades	44.7	16.0
Manufacturing	18.9	6.8
Communications	18.3	6.5
Transport and related services	10.5	3.7
Financial institutions other than banks and deposit-taking companies	8.0	2.9
Banks and deposit-taking companies	7.4	2.7
Restaurants and hotels	6.4	2.3
Insurance	3.8	1.3
Construction	2.2	0.8
Other activities	25.9	9.3
TOTAL	279.7	100.0

Source: Hong Kong Census and Statistics Department

Note: Excluding outward direct investment of offshore financial centers that were channeled back to Hong Kong.

Table 5: Amount and Growth of U.S. Investment in Hong Kong in 2002/2003/2004/2005 in US\$ Millions.

Year	Amount	Percent Change
2002	40,329	24.1
2003	36,426	-9.7
2004	34,848	-4.3
2005	37,884	8.7

Source: U.S. Department of Commerce, Bureau of Economic analysis, U.S. Direct Investment Position Abroad on a Historical Cost Basis.

Note 1: The U.S. Department of Commerce estimates the total U.S. direct investment position in Hong Kong at historical cost (the book value of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates).

Note 2: U.S. Department of Commerce statistics differ from HKG statistics. Per Table 1 above, the latter indicates total U.S. investments of US\$31.2 billion at year-end 2004.

Note 3: Preliminary figures for 2005.

Table 6: Hong Kong's Pledged and Actual Direct Investment in Mainland China in US\$ Billions and Percent Share of Total Investment in Mainland China.

Year	Amount Pledged	Invested	Share of Total
2001	20.7	16.7	35.7
2002	25.2	17.9	33.9
2003	40.7	17.7	33.1
2004	50.1	19.0	31.3
2005	N.A.	18.0	29.8
1978-2005	N.A.	260.2	41.8

Source: PRC Ministry of Commerce.

Note: PRC Ministry of Commerce stopped reporting the pledged foreign investment figures in December 2005.

Table 7: Major Foreign Investor Firms.

United States: American International Group, AT&T, Bank of America, Caltex, Citigroup, Coca-Cola, Compaq Computer, Disney, ExxonMobil, Federal Express, Goldman Sachs, IBM, JP Morgan Chase, Kodak, Merrill Lynch, Morgan Stanley, Motorola, Pacific Waste Management, Pepsi.

Japan: C. Itoh, Citizen Watches, Daido Concrete, Hitachi, Jusco, Mitsubishi, NEC, Nishimatsu, Nomura, Olympus, Uny.

United Kingdom: HSBC, Inchcape Pacific, Jardine Matheson, Lloyds, P & O Shipping, Standard Chartered Bank, Swire Pacific Group.

Continental Europe: Carlsberg, Hong Kong Petrochemicals (Italian/Korean/Chinese joint venture), Siemens, Heraeus, Philips, Bouygues/Dragages, Bachy-Soletanches, Banque National de Paris, Banque Indosuez, Chanel, Cartier, Christian Dior, Remy, Ericsson, Asea Brown Boveri, Tetrapak, Electrolux.

Mainland China: Bank of China (Hong Kong), Beijing Enterprises, China Everbright, China Investment and Trust Corporation (CITIC), China Merchants, China Mobile, China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation, China Ocean Shipping Co (COSCO), China Overseas Construction, China Resources,

China Travel Services, China Unicom, Guangdong Enterprises, Lenovo Group, Petro China, Shanghai Industrial, Yue Xiu Enterprises.

Asia: San Miguel Brewery, News Corp., Pioneer, Sime Darby, Shangri-la/Kerry Trading, Park View Properties, Lippo Group, C.P. Pokphand, LG, First Pacific Group.

## Web Resources

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Hong Kong Census and Statistics Department: <http://www.info.gov.hk/censtatd/>

Hong Kong Monetary Authority: <http://www.info.gov.hk/hkma/>

Independent Commission Against Corruption: <http://www.icac.org.hk/>

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## Macau

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- [Right to Private Ownership and Establishment](#)
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## Openness to Foreign Investment

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Macau became a Special Administrative Region (SAR) of the People's Republic of China on December 20, 1999. Macau's status since reverting to Chinese sovereignty is defined in the Sino-Portuguese Joint Declaration (1987) and the Basic Law, Macau's constitution. Under the concept of "One Country, Two Systems" articulated in these documents, Macau is promised a high degree of autonomy in economic matters and its economic system is to remain unchanged for 50 years. Since reversion, the Macau Government has maintained a transparent, non-discriminatory and free market economy. Macau has separate membership in the World Trade Organization (WTO).

The Government hopes to diversify Macau's economy by attracting foreign investment and is committed to maintaining an investor-friendly environment. Corporate taxes are low. The tax rate is 12 percent for a company's net profits greater than US\$37,500 (300,000 patacas). For net profits less than US\$37,500, the tax ranges from 3 percent to 12 percent. The top personal tax rate is 12 percent.

The Government is seeking to develop Macau into a commercial and trade service provider for Mainland China, particularly the West Guangdong region. It also aims to facilitate trade and economic cooperation between Mainland China and Portuguese-speaking countries. In 2002, the Government ended a long-standing gaming monopoly when it awarded two gaming concessions to consortia with U.S. interests. This opening is significantly boosting the U.S. business profile and investment in Macau. In addition, a third U.S. gaming concern plans to team up with the former monopolist to build a large Las Vegas-style casino, scheduled to open in 2007.

Macau and the PRC implemented a free trade agreement, the Closer Economic Partnership Arrangement (CEPA), on January 1, 2004. The agreement is similar to the Hong Kong-PRC CEPA. Starting from 2006, it provides for market opening all Macau-origin products and continues to provide 26 service sectors preferential treatment. In December 2005, the Government inaugurated the cross-border industrial zone located between northern part of Macau and Zhuhai. Manufacturers have begun operating in the industrial zone, including one U.S. manufacturer.

Macau is heavily dependent on the gaming sector and tourism industries. In addition, a single product category, textiles and apparel, accounts for approximately 74 percent of its exports. Macau's textile and apparel exports increased by 13.9 percent for the first 9 months of 2006, following a 15.1 percent fall in 2005 resulting from the elimination of textile quota system at the end of 2004.

Foreign firms and individuals are free to establish companies, branches and representative offices without discrimination or undue regulation in Macau. There are no restrictions on the ownership of such establishments. Company directors are not required to be citizens of, or resident in, Macau.

The Government is liberalizing the telecommunications sector under a law passed in August 2001. Macau has liberalized the mobile phone market and Internet services. It has issued three mobile telephone licenses to two foreign companies and one local firm. In March 2005, the Government issued a license operating a Code Division Multiple Access (CDMA) network. In October 2006, the Government issued three 3G licenses. The government expects that 3G operators will start their services in the second or third quarter of 2007.

Certain requirements are imposed on three professional services sectors as described below. Under Macau law (Decree Law 14/95/M, 22/96M and 22/97/M), qualified professionals and executives may apply for the right of temporary residency.

i) Education - an individual applying to establish a school must have a Macau Certificate of Identity or have the right to reside in Macau. The principal of a school must be a Macau resident.

ii) Newspapers and magazines - applicants must first apply for business registration and register with the Government Information Bureau as an organization or an individual. The publisher of a newspaper or magazine must be a Macau resident or have the right to reside in Macau.

iii) Legal services - lawyers from foreign jurisdictions who seek to practice Macau law must first obtain residency in Macau. They also must pass an examination before they can register with the Lawyer's Association, a self-regulatory body. The examination is given in Chinese or Portuguese. After passing the examination, foreign lawyers are required to serve 18-month internship before they are able to practice law in Macau.

## **Conversion and Transfer Policies**

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Profits and other funds associated with an investment, including investment capital, earnings, loan repayments, lease payments, and capital gains, can be freely converted and remitted. The domestic currency, Macau Official Pataca (MOP), is pegged to the Hong Kong Dollar at 1.03 and indirectly to the U.S. Dollar at an exchange rate of approximately MOP8 = US\$1. The Monetary Authority of Macau, the de facto central bank, is committed to exchange rate stability through maintenance of the peg to the Hong Kong Dollar.

Although Macau imposes no restrictions either on capital flows or foreign exchange operations, exporters are required to convert 40 percent of foreign currency earnings into MOP. This legal requirement is not applied to tourism services.

## **Expropriation and Compensation**

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The U.S. Consulate General is not aware of any expropriation actions. Expropriation of property may occur if it is in the public interest. In such cases, the Macau SAR Government will exchange the private property with an equivalent public property based on the valuation and conditions of the property. The exchange of property is in accordance with established principles of international law. There is no remunerative compensation.

## **Dispute Settlement**

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The U.S. Consulate General is not aware of any investor-state disputes involving U.S. or other foreign investors or contractors and the SAR Government. Private investment disputes are normally handled in the courts or via private negotiation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center.

Macau has an arbitration law (Decree 55/98/M), which adopts the United Nations Commission on International Trade Law (UNCITRAL) model law for international

commercial arbitration. The Macau SAR Government accepts international arbitration of investment disputes between itself and investors.

Macau's legal system is based on the rule of law and the independence of the judiciary. Macau has commercial and bankruptcy laws (Decree 40/99/M). Courts in Macau include the Court of Final Appeal, Intermediate Courts and Primary Courts. There is also an Administrative Court, which has jurisdiction over administrative and tax cases. These provide an effective means for enforcing property and contractual rights. Commercial and bankruptcy laws are written under the Macau Commercial Code (Decree 40/99/M).

## **Performance Requirements and Incentives**

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To attract foreign investment, the Macau SAR Government offers investment incentives to investors on a national treatment basis. These incentives are contained in Decrees 23/98/M and 49/85/M and provided if companies can fulfill at least one of the following purposes: promoting economic diversification, contributing to promotion of exports to new unrestricted markets, promoting added value within their activity's value chain, or contributing to technical modernization. There is no requirement that nationals own shares. These incentives are categorized as fiscal incentives, financial incentives and export diversification incentives.

Fiscal incentives include full or partial exemption from profit/corporate tax, industrial tax, property tax, stamp duty for transfer of properties, and consumption tax. The tax incentives are consistent with the WTO Agreement on Subsidies and Countervailing Measures as they are neither export subsidies nor import substitution subsidies as defined in the WTO Agreement. Financial incentives include government-funded interest subsidies (ranging from 4-6 percent) on private bank Pataca loans for buying/leasing new equipment or construction/leasing of industrial buildings. Export diversification incentives include subsidies given to the companies and trade associations, who attend the trade promotion activities organized by Macau Trade and Investment Promotion Institute. The companies have to be registered with the Economic Services before they are entitled the subsidies to cover fully or partially their costs on rental of exhibition space, decoration costs of exhibition booths, publication cost, production cost of audio-visual materials, etc. In addition, Macau provides other subsidies for the installation of anti-pollution equipment.

## **Right to Private Ownership and Establishment**

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Macau law and regulations provide for the right of foreign and domestic private entities to establish, acquire and dispose of interests in business enterprises.

## **Protection of Property Rights**

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Macau is a member of the World Intellectual Property Organization. Macau has acceded to the Bern Convention for the Protection of Literary and Artistic Works. Patents and trademarks are registered under Decree 97/99/M. Macau's copyright laws are TRIPS compatible and government offices are required to use only licensed software. The Macau SAR Government devotes considerable attention to intellectual property rights enforcement and coordinates with copyright holders. Source Identification Codes are stamped on all optical discs produced in Macau. Macau Economic Services (MES) uses an expedited prosecution arrangement to speed up punishment of accused pirate retailers.

The Macau Government has devoted considerable resources to combating optical disc piracy in recent years and claims to have closed down all illicit optical disc production lines. Piracy of television signals (and much U.S.-origin program content) is rampant. The Macau Government does not have a clear position on whether there is criminal liability for commercial end-use piracy of copyrighted works. The issue of signal piracy remains problematic in Macau. The Consulate General has raised these issues with Macau officials and continues to do so.

#### **Transparency of Regulatory System**

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The Government has transparent policies and laws that establish clear rules and do not unnecessarily impede investment. The basic elements of a competition policy are set out in Macau's 1999 Commercial Code.

#### **Efficient Capital Markets and Portfolio Investment**

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Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market. At present, there are 27 financial institutions in Macau, including 12 local banks and 15 branches of banks incorporated outside Macau. In addition, there are ten moneychangers, two cash remittance companies, two financial intermediaries, three exchange counters and one representative office of a financial institution. These institutions provide a range of credit instruments. Banks with capital originally from Mainland China and Portugal have a combined market share of about 66.6 percent of total deposits in the banking system. Total deposits amounted to US\$19.6 billion in September 2006. In June 2006, banks in Macau maintained a capital adequacy ratio at 15.3 percent, well above the minimum 8 percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

Macau has no stock market, but companies can seek a listing in Hong Kong's stock markets. There is cooperation between Macau and Hong Kong financial regulatory authorities.

Under the Macau Insurance Ordinance, the Monetary Authority authorizes and monitors insurance companies. There are 11 life insurance companies and 13 non-life insurance

companies in Macau. Total gross premium income from insurance services amounted to US\$280.4 million in 2005.

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the Monetary Authority. Profits derived from offshore activities are fully exempted from all form of taxes.

## **Political Violence**

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Macau is politically stable. The U.S. Consulate General is not aware of any incidents in recent years involving politically motivated damage to projects or installations.

## **Corruption**

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Macau's anti-corruption agency is called the Commission Against Corruption (CAC). The CAC has powers of arrest and detention. Its budget and manpower have been increased in recent years. The number of complaints of corruption handled by CAC has increased significantly as a result of these changes and a public outreach campaign. The highest profile corruption charge was leveled at Macau's Secretary for Transport and Public Works, who was arrested in December 2006 for corruption. The case has not yet gone to trial. The CAC's overall effectiveness remains constrained by legislation limiting the scope of its authority to public, but not private sector corruption.

## **Bilateral Investment Agreements**

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Macau has signed investment protection agreements with Portugal and the Netherlands.

## **OPIC and Other Investment Insurance Programs**

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Overseas Private Investment Corporation (OPIC) coverage is not available in Macau.

## **Labor**

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Macau's recent high unemployment rate is decreasing. By the end of September 2006, the jobless rate was 3.8 percent, down from 6.1 percent in 2003. While the relocation of manufacturing facilities across the border to Zhuhai in Mainland China drove up unemployment rates, the increase in the number of gaming facilities and hotels are having a big positive impact on employment and some shortages of skilled workers are likely to develop. Macau has labor importation schemes for unskilled and skilled workers

who cannot be recruited locally. The Government is considering additional measures. The current migrant labor pool is approximately 60,361 out of a total workforce of 281,800. The Chief Executive announced in his 2005 policy address a new tax on the import temporary workers. The Government will use the proceeds for retraining locally unemployed people.

#### Foreign-Trade Zones/Free Ports

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Macau is a free port.

#### Foreign Direct Investment Statistics

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According to the Direct Investment Statistics 2005 conducted by the Statistics and Census Service, there were 1,314 foreign direct investment companies in Macau, employing 45,204 workers. Hong Kong was the largest foreign investor in Macau, accounting for 61.5 percent of total foreign direct investment. The U.S. now exceeds China as the second largest foreign investor in Macau, accounting for 18 percent of foreign direct investment.

Table 1: Stock of foreign direct investment by country, 2005

Country	Amount US\$ Million	% Share of Total
Hong Kong	3,179.5	61.5
U.S.	928.8	18.0
China	488.4	9.4
Portugal	327.5	6.3
U.K.	80.5	1.6
Others	166.5	3.2
TOTAL	5,171.1	100.0

Source: Statistics and Census Service

Table 2: Stock of foreign direct investment by industry, 2005

Sector	Amount US\$ Million	% of Total
Cultural, recreational, gaming and other services	3,200.3	61.9
Banks and securities	925.5	17.9
Industrial production	358.1	6.9
Hotels and restaurants	280.5	5.4
Transport, storage and communications	159.0	3.1
Insurance	113.3	2.2
Construction	112.8	2.2
Wholesale and retail	21.8	0.4
TOTAL	5,171.1	100.0

Sources: Statistics and Census Service

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Macao Special Administrative Region Government: <http://www.macao.gov.mo>  
Macao Trade and Investment Promotion Institute – IPIM: <http://www.ipim.gov.mo>  
Macao Fair & Trade Association: <http://www.macauf.ta.com>  
World Trade Centre Macau: <http://www.wtc-macau.com>

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## Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
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- [U.S. Banks and Local Correspondent Banks](#)
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### How Do I Get Paid (Methods of Payment)

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The preferred method of quoting is to use the "CIF" or "C and F" destination term of sale in Hong Kong dollars (HK\$). The U.S. dollar and other freely convertible currencies may be accepted for bids and pro forma invoicing. Terms of payment depend on the relative negotiating strength of the buyers and sellers. U.S. suppliers should seek to obtain letters of credit or sight draft terms when dealing with buyers who are not well known to them. Asking for a letter of credit is a standard business practice, and your potential customer will not generally interpret this as a sign of mistrust.

The importance of trade finance to Hong Kong has resulted in a high level of bank efficiency in providing import payment services. Letters of credit, documentary collections and international remittance services are widely available. The risk of financing receivables can be readily evaluated via locally available credit information. Prospective U.S. exporters should make use of established U.S.-Hong Kong banking relationships to determine credit risk.

### How Does the Banking System Operate

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Hong Kong has an open financial system, with no controls on currency movement. A more complete description is contained in Chapter 6: Investment Climate – Efficient Capital Markets and Portfolio Investment.

### Foreign-Exchange Controls

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The local currency, the Hong Kong dollar, is freely convertible, and there are no foreign exchange controls.

Licensed U.S. Commercial Banks in Hong Kong:

American Express Bank Ltd.: <http://www.americanexpress.com.hk>

Bank of America, N.A.: <http://www.bankofamerica.com>

Bank of New York (HK Branch): <http://www.bankofny.com>

Citibank NA: <http://www.citibank.com.hk>

JP Morgan Chase Bank, N.A.: <http://www.jpmorganchase.com>

State Street Bank and Trust Company: <http://www.statestreet.com>

United Commercial Bank: <http://www.ibankunited.com>

Wells Fargo Bank NA: <http://www.wellsfargo.com>

Notes: This list does not include U.S. restricted license banks, deposit taking companies, and representative offices.

Hong Kong's five largest local banks are indicated in Chapter 6: Investment Climate – Efficient Capital Markets and Portfolio Investment.

## **Project Financing**

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The U.S. Export-Import (Ex-Im) Bank offers both trade financing and insurance for U.S. exports (see below). Ex-Im generally provides trade finance through financial institutions in the U.S. and the importing countries.

**Export Credits:** The Ex-Im Bank, an independent U.S. Government agency, seeks to increase the competitive position of U.S.-based exporters in overseas markets. By providing export insurance, loan guarantees, direct loans and other types of financing support, Ex-Im Bank supports the sales of U.S. exports and thereby creates U.S. jobs. The terms and conditions of standard financing are governed by the Organization for Economic Co-operation and Development (OECD) Export Credit Arrangement. Direct lending rates are set monthly and are called Commercial Interest Reference Rates (CIRRs).

For more information concerning Ex-Im Bank programs and application procedures, contact Ex-Im Bank in Washington, D.C. at (800) 565-EXIM or (202) 565-3946. Fee calculations and applications can be found on-line at <http://www.exim.gov>.

Hong Kong and Macau are not recipients of official development assistance (i.e., assistance from the Overseas Private Investment Corporation, U.S. Agency for International Development, or U.S. Trade and Development Agency). Infrastructure and industrial projects are financed on commercial terms. Hong Kong is also a major center for commercial project financing for Mainland China and other Asian countries.

Asia's principal multilateral development finance institution, the Asian Development Bank (ADB), is headquartered in Manila, Philippines. ADB was founded in 1966 and is now owned by 66 member countries. The United States and Japan are the largest shareholders. The Bank's regional membership extends from East Asia and South Asia to Central Asia, and includes the Pacific Islands.

Based on a draft report of ADB's 2006 operations, the bank's total lending in 2006 totaled US\$7.4 billion. In addition, the ADB provided US\$655 million in credit enhancements; US\$260 million in equity; US\$540 million in grants; US\$244 in technical assistance, and US\$3.8 billion in multi-tranche financing to its member countries.

India continued to be the largest borrower (US\$1.68 billion) followed by Mainland China (US\$1.57 billion), and Pakistan (US\$1.3 billion). The next three largest were Indonesia, the Philippines and Viet Nam, in that order.

The finance sector received the largest share of lending at US\$1.94 billion (26%), followed by transport and communications at US\$1.5 billion (20%). Third largest was energy at US\$1.4 billion (19%). Multisector projects received US\$880 million (12%) and agriculture and natural resources US\$582 (8%).

The ADB maintains resident offices in Afghanistan, Azerbaijan, Bangladesh, Cambodia, Mainland China, India, Indonesia, Kazakhstan, Kyrgyz Republic, Laos, Mongolia, Nepal, Pakistan, Sri Lanka, Thailand, Uzbekistan, and Vietnam; three (3) regional missions in the South Pacific; a Philippine country office; and representative offices in Frankfurt, Tokyo, and Washington, D.C..

The U.S. Department of Commerce maintains a Congressionally mandated Commercial Liaison Office for the ADB (AC ADB) in Manila, managed by the Advocacy Center in Washington, D.C. The office helps American firms access, enter and expand in Asian markets that benefit from ADB assistance. For example, the office provides counseling, advocacy, and project information. It also conducts outreach programs in the region, as well as in the United States to help U.S. firms take advantage of commercial opportunities in countries borrowing from the ADB. An American Senior Commercial Officer, Kenneth Reidbord, heads the office.

To perform its mandate, the office cooperates with the U.S. Executive Director's Office at the ADB and works closely with Commercial Service posts in the region. AC ADB's cooperation with CS Hong Kong has resulted in a number of project development efforts to help U.S. consortia and their affiliates better access ADB's private sector window and credit enhancement products. Currently, CS Hong Kong and AC ADB are working on an innovative scheme to assist U.S. businesses in securing financing for pollution prevention and energy efficiency projects.

AC ADB invites American firms to work with it in pursuing ADB commercial and infrastructure project development opportunities. The office's contact information is:

The U.S. Commercial Liaison Office for ADB  
American Business Center  
25th Floor, Ayala Life-FGU Building  
6811 Ayala Avenue  
Makati City, Philippines 1226

U.S. mailing address:  
PSC 500 Box 33  
FPO AP 96515-1000

Email: [manila.adb.office.box@mail.doc.gov](mailto:manila.adb.office.box@mail.doc.gov)  
Tel: (632) 887-1345(-6)  
Fax: (632) 887-1164

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, is the world's largest source of multilateral equity and loan financing for private enterprises in developing economies. The mission of the IFC is to promote sustainable private sector investments in developing countries, helping to reduce poverty and improve people's lives. IFC finances private sector investment in the developing world, mobilizes capital in international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses.

The IFC provides US\$5 billion in financial assistance annually to private sector projects throughout Asia. As of June 30, 2006, the top four country recipients of IFC's equity and quasi-equity investments, loans and guarantees, technical assistance and advisory services were Mainland China, Indonesia, the Philippines and Thailand. In the East Asia Pacific region, IFC maintains offices in Beijing and Hong Kong SAR, PRC; Bangkok, Thailand; Hanoi, Vietnam; Jakarta, Indonesia; Manila, the Philippines, Ulaanbaatar, Mongolia; Phnom Penh, Cambodia; and Vientiane, Laos. Contact information for the IFC office in Hong Kong is:

Mr. Richard Ranken  
Regional Director, East Asia  
Financial Institutions Group  
International Finance Corporation  
Suite 7903, 79th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong  
Tel: (852) 2509-8108  
Mobile: (852) 6051-1516  
Fax: (852) 2509-9363  
Email: [tkrause@ifc.org](mailto:tkrause@ifc.org)  
Website: <http://www.ifc.org> and <http://www.worldbank.org/ict>

The U.S. Department of Commerce maintains a Congressionally mandated Business Liaison Office for the World Bank Group, including the IFC, in the Office of the U.S. Executive Director to the World Bank at World Bank headquarters in Washington, D.C. An American Senior Commercial Officer, Mr. Will Center, is the Director of the World Bank Business Liaison Office. Contact information for this office is:

Mr. Will Center  
Director  
Office of Business Liaison

2/16/2007

Office of the U.S. Executive Director  
The World Bank  
1818 H. Street, N.W.  
Washington, D.C. 20433  
Tel: ((202) 458-0120  
Fax: (202) 477-2967  
Email: [will.center@mail.doc.gov](mailto:will.center@mail.doc.gov)  
Website: <http://www.worldbank.org>

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Asian Development Bank: <http://www.adb.org>

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

International Finance Corporation: <http://www.ifc.org>

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

The World Bank: <http://www.worldbank.org>

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## Chapter 8: Business Travel

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### Business Customs

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Over the years, Hong Kong has developed as a unique society based on a blend of Chinese tradition and Western technology. Most people who are familiar with Hong Kong know that Hong Kong means business. Above all, it is a society that emphasizes hard work and success.

Americans encounter few if any cultural problems when conducting business in Hong Kong. Americans should be aware that Hong Kong people tend to be more formal than many Americans. Business acquaintances are addressed as Mr. or Ms. unless they state that their first name should be used. Business cards are exchanged frequently, and the exchange should be fairly formal; the card should be accepted with both hands and a moment taken to read it carefully. "Face" is very important, and problems or areas of disagreement are handled indirectly to avoid loss of "face." While a study of local customs and practices may be helpful, most people in Hong Kong are sufficiently familiar with Western customs that they are tolerant of cultural differences. Business contacts should be treated the same as a formal business relationship in the United States. Western business attire (suit and tie for men, business suits for women) is appropriate.

Americans, however, should be aware that personal names in Chinese culture follow a number of rules different from those of personal names in Western cultures. Most noticeably, married Chinese women in Hong Kong usually retain their maiden names as their family name, rather than the adopted name of their husband. This is also the case in the People's Republic of China. In some exceptional cases in Hong Kong, married women, especially civil servants, do put their husband's name, hyphenated, in front of their maiden name.

### Travel Advisory

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The Department of State issued a worldwide caution on October 11, 2006 to remind U.S. citizens of the continuing threat of terrorist actions and violence against Americans, U.S. citizens and interests overseas. The U.S. Government is also concerned about the potential for demonstrations and violent actions against U.S. citizens and interests overseas. U.S. citizens are reminded to maintain a high level of vigilance and to take appropriate steps to increase their security awareness. The Department of State remains concerned about indications that al-Qa'ida and affiliated organizations continue to plan terrorist attacks against U.S. interests in multiple regions, including Europe, Asia, Africa and the Middle East. Terrorist actions may include, but are not limited to, suicide operations, assassinations, hijackings, bombings or kidnappings. These may involve aviation and other transportation and maritime interests. Terrorists do not distinguish between official and civilian targets, including facilities where U.S. citizens and other foreigners congregate or visit. U.S. Government facilities worldwide remain at a heightened state of alert. As the Department of State continues to develop information on any potential security threats to U.S. citizens overseas, it shares credible threat information through its consular information program documents, available on the Internet at [http://travel.state.gov/travel/warnings\\_consular.html](http://travel.state.gov/travel/warnings_consular.html).

## **Visa Requirements**

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No Hong Kong SAR visa is required for American citizens who visit Hong Kong for less than 90 days. For more information regarding visa requirements for other nationalities, refer to the Hong Kong Immigration Department website:  
<http://www.immd.gov.hk/index.html>.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

American Consulate General Hong Kong Consular Section website:  
<http://hongkong.usconsulate.gov/consular/visa.htm>.

Travelers to the Chinese Mainland requires a visa from the People's Republic of China.

## **Telecommunications**

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### **Types of Cellular Phone Technology**

Communications facilities in Hong Kong are excellent. Most major long distance credit cards are honored, and hotels have long distance and facsimile services readily available. U.S. visitors should check with their current cellular service providers before departing the U.S. to determine whether they have an existing roaming arrangement with a Hong Kong operator. Except for some TDMA phones and a few models of GSM

and CDMA phones, U.S. travelers will likely have to rent a phone from their cellular provider before leaving the U.S. due to a difference in the frequency bands used for cellular and PCS service. Travelers who do not currently have cellular phone service, or whose provider does not have a roaming agreement with a Hong Kong operator, can rent a cellular phone, using a prepaid SIM card, from companies such as Hong Kong Telecom CSL upon arrival at the Chek Lap Kok Airport. Most hotels in Hong Kong rent cellular phones to guests through their business centers. Rates vary between US\$25-US\$50 per day. For longer stays visitors can arrange rentals on a weekly basis at Hong Kong Telecom care centers for approximately US\$100 per week plus airtime. Another option is to purchase a relatively cheap (old model) phone with a prepaid SIM card for approximately US\$115 from Hong Kong Telecom CSL retail shops.

### **Internet Accessibility**

In terms of Internet connections, 90 percent of the households and all commercial buildings in Hong Kong have access to broadband connection. In Hong Kong, the ISP market is very competitive, and consumers enjoy a wide and sophisticated range of services at competitive prices. The affordability of Internet services has a direct effect on the penetration of Internet usage. There are over 185 ISPs in Hong Kong, and unlimited broadband connection costs about US\$20 per month. There are approximately 1.7 million broadband subscribers in Hong Kong as of November 2006, representing a 66 percent household broadband penetration rate.

### **Transportation**

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Hong Kong has a very good public transportation system. Major modes of transportation include buses, the Mass Transit Railway (underground subway system), trams, ferries, the Kowloon-Canton Railway and taxis. In addition, almost all major airlines service Hong Kong.

Travelers have a choice of transport from Hong Kong's Chek Lap Kok airport to their hotel. Options include the Airport Express train (US\$13 and US\$6.50 for children 3 to 11), hotel shuttle buses and express public buses (US\$5), or taxis (US\$65). The distance is approximately 25 miles.

For most travelers, we recommend use of the Airport Express train, which is the fastest way to reach Hong Kong Island, and at reasonable cost. Trains depart every ten minutes, and the ride to the terminus at "Hong Kong Station" in Central, Hong Kong Island, takes only 25 minutes. From there it costs less than US\$5 (and another 5-10 minutes) for a taxi ride to most hotels in the Central, Admiralty and Wan Chai districts. A one-way ticket on the Airport Express costs about US\$13. Round trip tickets are available. Tickets for the Airport Express may be purchased from vending machines located immediately beyond baggage claim/customs (these require Hong Kong dollars in cash) or (using cash or credit card) from the Airport Express counter located in the center of the public arrivals hall (area "A"). Once you have your ticket, proceed directly to the train. Your ticket will not be checked until you disembark, at which point you will run it through an automatic gate (similar to the equipment used by the Washington Metro or San Francisco BART) to leave the station (you may also buy your ticket upon arrival at the Airport Express station in Central). Departing trains are conveniently located in

the area directly in front of public arrivals and luggage carts are available to take baggage right to the train. Train doors are at the platform level and there are storage areas for luggage just inside the train doors. If you take the Airport Express train to Hong Kong Station (last stop) you will find taxis available directly ahead as you exit the train terminal and proceed through the terminal exit gate. The Airport Express also offers a free shuttle bus service to many hotels in the Central, Admiralty and Wan Chai districts, where the hotels used by most USG travelers are located. Look for the large sign which indicates the hotels served.

The hotel buses available at the airport are also convenient and economical but can take longer. Counters for hotel bus ticketing are also in the public arrivals area (near area "B"). When returning to the airport, you may find it convenient to take a bus directly from your hotel.

### Money Exchange

The Hong Kong dollar is pegged in value against the U.S. dollar, with the rate set at approximately HK\$7.8 per US\$1. Upon arrival in Hong Kong, money exchange (Thomas Cook) is available in the area immediately outside of baggage claim/customs. Rates are not favorable, so we advise against changing large quantities of money at the airport exchange. However, there are ATM machines (currently connected to the Cirrus and Plus systems plus Visa and Master Card for cash advances) offering good exchange rates located just inside the public arrivals area. Note: the location of the ATM machines is not well marked.

### Language

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English and Cantonese are the official languages. English is widely used in the Hong Kong Government, the legal system and business sectors. Mandarin Chinese (Putonghua) is becoming more common.

### Health

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Mainland China and Southeast Asia have been the world epicenter for several viral illnesses in recent years such as SARS and Avian Flu. While there are currently no specific health warnings, travelers to Hong Kong are encouraged to visit the Hong Kong Center for Health Protection website: <http://www.chp.gov.hk/> or the CDC website: <http://www.cdc.gov> for up-to-date advice and information on local health issues.

Hong Kong has high public health standards, and health care in Hong Kong is similar in quality to that found in the U.S., although it can be extremely expensive. Hospitals and clinics expect payment when service is rendered and do not accept health insurance for payment. Pharmacies will accept only prescriptions from local physicians and may not be open after usual business hours. It is recommended that the traveler bring an adequate supply of prescription medications for the duration of their stay.

Hong Kong is 12 hours ahead of Eastern Standard Time, and 13 hours ahead during daylight savings time.

Business hours are 9 a.m. to 5 p.m., Monday through Friday, and 9 a.m. to 1 p.m. on Saturday. Many companies now have a 5-day workweek. Starting from July 1, 2006, most government offices are now closed on Saturdays, but their opening hours on weekdays have been extended.

**Holidays – 2007**

January 1	The first day of January
February 17	The day preceding Lunar New Year's Day
February 19	The second day of the Lunar New Year
February 20	The third day of the Lunar New Year
April 5	Ching Ming Festival
April 6	Good Friday
April 7	The day following Good Friday
April 9	Easter Monday
May 1	Labour Day
May 24	The Buddha's Birthday
June 19	Tuen Ng (Dragon Boat) Festival
July 2	The day following Hong Kong Special Administrative Region Establishment Day
September 26	The day following Chinese Mid-Autumn Festival
October 1	National Day
October 19	Chung Yeung Festival
December 25	Christmas Day
December 26	The first weekday after Christmas Day

As the Lunar New Year's Day in 2007 falls on a Sunday, the day preceding Lunar New Year's Day will be designated as an additional general holiday. Also, the Hong Kong Special Administrative Region Establishment Day in 2007 falls on a Sunday, the following day will be designated as an additional general holiday.

Hong Kong Customs does not restrict the temporary import of goods into Hong Kong, such as laptop computers, software and general exhibit materials, for business purposes, provided the goods are not restricted items that normally require an import license. The temporary import of supercomputers, which is a controlled item, or of any exhibit materials that are also controlled items would require a license even if the commodity is being shipped in only for exhibit purposes.

American Consulate General Hong Kong Consular Section:

<http://hongkong.usconsulate.gov/consular/visa.htm>

Centers for Disease Control and Prevention: <http://www.cdc.gov>

Customs and Excise Department: <http://www.customs.gov.hk>

Hong Kong Center for Health Protection: <http://www.chp.gov.hk/>

Hong Kong Immigration Department: <http://www.immd.gov.hk/index.html>

Hong Kong Tourism Board: <http://www.discoverhongkong.com>

State Department Visa: <http://travel.state.gov/visa/index.html>

United States Visas: <http://www.unitedstatesvisas.gov/>

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## Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

### Contacts

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#### U.S. Consulate General Contacts:

U.S. Consulate General: <http://hongkong.usconsulate.gov>

U.S. Commercial Service: <http://www.buyusa.gov/hongkong>

U.S. Agricultural Trade Office: <http://www.usfoods-hongkong.net>

American Chamber of Commerce in Hong Kong: <http://www.amcham.org.hk>

#### Hong Kong Government Offices and Related Organizations:

Hong Kong SAR Government: <http://www.info.gov.hk>

Census and Statistics Department: <http://www.censtatd.gov.hk>

Companies Registry: <http://www.cr.gov.hk/>

Customs and Excise Department: <http://www.customs.gov.hk/>

Hong Kong Productivity Council: <http://www.hkpc.org>

Hong Kong Tourism Board: <http://www.discoverhongkong.com/eng/index.jsp>

Hong Kong Trade Development Council: <http://www.tdctrade.com>

Intellectual Property Department: <http://www.ipd.gov.hk>

Invest Hong Kong: <http://www.investhk.gov.hk>

Office of Telecommunications Authority: <http://www.ofta.gov.hk>

Trade and Industry Department: <http://www.tid.gov.hk>

#### Trade Associations:

The Chinese General Chamber of Commerce: [http://www.cgcc.org.hk/index\\_e.html](http://www.cgcc.org.hk/index_e.html)

The Chinese Manufacturers' Association of Hong Kong:

<http://www.cma.org.hk/eng/firstpage.asp>

The Cosmetic & Perfumery Association of Hong Kong Ltd.: <http://www.cosmetic-perfume.com>

Federation of Hong Kong Industries: <http://www.industryhk.org>

Hong Kong Computer Society: <http://www.hkcs.org>

Hong Kong Electronic Industries Association Ltd.: <http://www.hkeia.org>

Hong Kong Federation of Insurers: [http://www.hkfi.org.hk/en\\_home.htm](http://www.hkfi.org.hk/en_home.htm)

Hong Kong Franchise Association: <http://www.franchise.org.hk>

Hong Kong General Chamber of Commerce: <http://www.chamber.org.hk/>

Internet & Telecom Association of Hong Kong: <http://www.itahk.org.hk>

Travel Industry Council of Hong Kong: <http://www.tichk.org/public/website/en/index.html>

## **Market Research**

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

## **Trade Events**

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

For major trade events that will be held in Hong Kong, information can be retrieved from the Hong Kong Trade Development Council website: <http://www.tdctrade.com>.

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## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/hongkong>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.